

A STUDY OF THE DEVELOPMENT OF ACCOUNTING IN VIETNAM

A Thesis Submitted

*In Fulfillment of the Requirements for the Degree of
Doctor of Philosophy*

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August 2011

DECLARATION

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

Thanh Minh Vo Bui

August 2011

ACKNOWLEDGEMENTS

The researcher would not have been able to embark on this research program without the assistance and support by a number of people.

First of all, I would like to thank all the interviewees in this study for their interest, willingness, valuable time and knowledge in support of this research. Their participation was greatly appreciated. I would also like to thank the staff of the National Archival Centre in Vietnam for their invaluable support and assistance.

Secondly, I wish to record my appreciation to my current principal supervisor, Associate Professor Prem Yapa, for his guidance and support in supervising my research.

I would also like to thank my second supervisor, Professor Barry J. Cooper, for his support, patience, understanding, supervising and helping me through this program. Professor Cooper was originally my principal supervisor when I commenced this research program. During the transition of changing of principal supervisor after he left RMIT University, Professor Cooper accommodated me in his busy schedule to enable his continued supervisory support in relation to this thesis. I am very grateful for his support, advice and guidance.

My thanks go to the RMIT Research and Innovation Portfolio, the RMIT School of Accounting (College of Business) and RMIT International University Vietnam for their financial support in the research program from 2005 – 2010.

I would also like to thank the administrative staff of the School of Accounting and the Business Research Office (Office of the Pro Vice-Chancellor, College of Business) for their assistance in administrative matters relating to my research.

My appreciation is also directed to Dr Nguyen Xuan Thu, who inspired and encouraged me to undertake this project, and for his advice and support, especially in the early days of my research program.

Last, but most importantly, I would like to extend my greatest appreciation to my parents, my parents-in-law, and my husband – Kym, for supporting and accompanying me throughout the many years of this challenging academic journey. Their love, understanding, support and sacrifices helped make this research work possible.

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ABSTRACT

This is an historical study on the development of accounting in Vietnam, by examining the role of the state in the evolving professionalisation of the accounting profession in the colonial and post-colonial periods. The Vietnamese accounting profession has been defined by the state, given that the development has been led by the state and subject to state regulations.

In this research, accounting practice during French colonial rule is examined. This is then followed by an examination of the accounting development in the post-colonial periods and the role of the state in this development, reflected through accounting regulations and the law. Using the sociology of the professions theoretical framework and the work of Puxty *et al.* (1987), which recognizes the State, Market and Community principles, this study aims to understand the factors underpinning the professionalisation of accounting in Vietnam.

Three following research questions addressed in this study include:

1. How have external factors, such as the influence of the French, the United States, China and the Soviet Union, contributed to the development of the accounting profession in Vietnam?
2. How has the internal environment in Vietnam, including the impact of political and economic policies, contributed to the development of the accounting profession in Vietnam?
3. What is the predominant model of the accounting profession adopted in Vietnam in 2010?

The main findings from the study include the following. Despite French rule for more than eighty years, the development of the accounting profession in Vietnam in the colonial and post-colonial periods was not initiated nor influenced by the French, or the Americans. This is a distinctive difference in the development of the accounting profession between Vietnam, as an ex-French colony, compared to that which occurred in most ex-British colonies.

Between 1954 and 1975, the country was divided into two, with different political, economic and accounting systems. The Democratic Republic of Vietnam (DRV), namely North Vietnam, followed the Chinese accounting model subsequent to its liberation from the French in 1954. Due to political conflicts with China, the DRV then selectively adopted the Soviet Union accounting model from the mid 1960s until the unification of the country in 1975. Accounting in South Vietnam, namely the Republic of Vietnam (RVN), remained influenced by French rules after 1954.

From 1975 – 1985, the country was unified and proclaimed as the Socialist Republic of Vietnam (SRV). The SRV government took central planning and administrative direction of the socialist economy; therefore, the state was also the market and community, as articulated in Puxty *et al.* (1987) model, during this time. As a result, accounting was highly regulated, and was created as a tool to facilitate centralized economic planning and control.

Accounting in Vietnam in this period was influenced by Soviet accounting, through technical assistance such as sending Soviet accounting specialists to work with Vietnamese accounting counterparts on the existing accounting system, and by training assistance such as having Vietnamese students study in the Soviet Union. However, the state continued its dominant role in the development of accounting practice across the country, and continued being the market and community for accounting.

The Vietnamese accounting system during 1986 – 1997 was a selective system, with some elements of the French, Soviet and American influence. The government drew from experience of Western and other socialist countries and took the essence of the French, Soviet and the American systems to determine its own specialised, accounting system, which was considered by the government to be appropriate in the conditions of the transition from the failed centrally-planned economy to a market-oriented economic system. This also reflects the state's direction as set out in the 1992 Constitution. The

mixed accounting model in the case of Vietnam is seen to be appropriate for the country during the transition period.

The accounting and auditing legal frameworks have since 1998 continued to be improved towards providing a transparent system to meet the requirements of the socialist-oriented market economy. Twenty-six Vietnamese accounting standards (VASs) and thirty-seven Vietnamese standards of auditing have been issued by the MoF, which are in line with IFRSs, with modifications to suit Vietnam's conditions and requirements. In addition, the Law on Accounting was passed by the National Assembly in 2003 as the highest legal document governing the nation's accounting and auditing activities during the economic integration period.

It is argued in this study that the Vietnamese Communist Party (VCP)/State has played a dominant role in the development of accounting in the country in the post-colonial periods, by regulating accounting practice. The case of Vietnam, therefore, differs to that in most other Southeast Asian countries, due to the direct involvement of the VCP, through accounting regulations and avoidance of non-socialist principles. The Vietnamese experience suggests that the state, led by the VCP, has followed its own path as a socialist country, by directing and playing an influential role in the development, practice and training of the accounting profession, in order to facilitate achievement of the state's political and economic policies. This was achieved in spite of Vietnam's colonial heritage, unlike the path followed in many other former colonies.

The accounting associations in Vietnam, the VAA and VACPA, have been established and dominated by the state, as the country moves towards economic integration. By legislation, the State, through the MoF, maintains its monopoly in the accounting and auditing certification, practice and the regulatory process. The implementation of the Vietnamese CPA exams and the existence of the professional code of ethics support the existence of an accounting profession in Vietnam. In addition, the membership of the VAA to IFAC and the AFA in 1998 and of the VACPA to CAPA in 2010, is another important and significant event in the development and professionalization of accounting

in Vietnam. These developments are indicative of the recognition of the existence of the accounting profession in Vietnam, and the VACPA as a professional accounting body in the Asia-Pacific region.

Abbreviation

ACCA	Association of Chartered Certified Accountants
ACPA	Australasian Corporation of Public Accountants
AFA	ASEAN Federation of Accountants
AICPA	American Institute of Certified Public Accountants
AMA	American Medical Association
AOS	Accounting, Organizations and Society
APEC	Asia – Pacific Economic Commission
ASC	Accounting Society of China
ASEAN	Association of South-East Asian Nations
ASOSAI	Asian Organisation of Supreme Audit Institutions
BICPA	Brunei Institute of Certified Public Accountants
BTAs	Bilateral Trade Agreements
CAPA	Confederation of Asian and Pacific Accountants
CICPA	Chinese Institute of Certified Public Accountants
CIMA	Chartered Institute of Management Accountants
CMEA	Council for Mutual Economic Assistance
CPAs	Certified Public accountants
DAP	Department of Accounting Policy and Auditing
DRV	Democratic Republic of Vietnam
Doi Moi	Economic renovation program commenced in 1986
EAS	Enterprise Accounting System
ECSAFA	Eastern, Central and South African Federation of Accountants
EURO-TAPVIET	European Union Assistance Project

FDI	Foreign direct investment
FIEs	Foreign-invested enterprises
French PCG	French Plan Comptable General
GATS	General Agreement on Trade and Services
GSO	General Statistic Office
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Auditing Standards Committee
ICAEW	Institute of Chartered Accountants of England and Wales
ICAJ	Institute of Chartered Accounts of Jamaica
ICASL	Institute of Chartered Accountants of Sri Lanka
ICATT	Institute of Chartered Accountants of Trinidad and Tobago
ICPAK	Institute of Certified Public Accountants of Kenya
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IIAV	Incorporated Institute of Accountants, Victoria
INTOSAI	International Organisation of Supreme Audit Institutions
JICPA	Japan Institute of Certified Public Accountants
JVs	Joint venture enterprises
LA	Vietnamese Law on Accounting in 2003
MACPA	Malaysian Association of Certified Public Accountants
MIA	Malaysian Institute of Accountants
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MOLISA	Ministry of Labour, Invalids and Social Affairs

MPDF	Mekong Project Development Facility
MPI	Ministry of Planning and Investment
NCA	National Council for Accountancy
OECD	Organisation for Economic Cooperation and Development
PGC	Plan Comptable Général
RMIT Vietnam	RMIT International University Vietnam
RVN	Republic of Vietnam
SAA	Society of Accountants and Auditors
SAV	State Audit of Vietnam
SOEs	State-owned enterprises
SRV	Socialist Republic of Vietnam
T&T	Trinidad and Tobago
TRIPs	Trade-Related Aspects of Intellectual Property Rights
TRIMs	Trade-Related Investment Measures
TTACACA	Trinidad and Tobago Association of Chartered Accountants and Certified Accountants
TTACCA	Trinidad and Tobago Branch of the Association of Certified and Corporate Accountants
UNCTAD	United Nations Conference on Trade and Development
VAA	Vietnam Association of Accountants and Auditors
VACPA	Vietnam Association of Certified Public Accountants
VCP	Vietnamese Communist Party
VIC	Incorporated Institute of Accountants
VPA	Vietnam People's Army
WB	World Bank
WTO	World Trade Organisation

Chapter 1 Introduction

1.1 Background and context of the research

Geographically, Vietnam is a country with clear borders and with two large river systems dominating the country, the Red River in the North and the Mekong Delta in the South. Although the nation comprises a number of ethnic groups, each with its own culture and language, Vietnamese is the national language. The country has a long history and a well-educated population (Narayan and Godden, 2000; Narayan *et al.*, 2000).

Politically, Vietnam is a one-party socialist state. The dominating force in Vietnam is the Communist Party. It is controlled by a politburo, and is prescribed a 'leading role' by the Constitution. The legislature is the 498-member National Assembly, Quoc Hoi, directly elected every five years by universal suffrage. It meets twice a year and elects a state president, to head a council of state, and a council of ministers, headed by the prime minister, which forms the government. (<http://encyclopedia.farlex.com/Vi%C3%AAtnam>, accessed 20 September 2009).

Economically, Vietnam suffered from a great deal of hardship in its struggle for political independence during the wars against the French and the US, combined with a period of isolation for nearly a half century until 1975 when the War ended. Vietnam's post-war economy from 1976 to 1980 was stagnant (Murray, 1977). After thirty years of full-scale war ending in 1975, Vietnam's economic performance was seriously hampered by the failures of its foreign policy and command economic management, the collapse of the former Soviet Union and the U.S.-led trade and investment embargo (Tran-Nam and Pham, 2003).

Than and Tan (1993) noted that new developments in political, social and economic spheres took place in Vietnam from the latter part of the 1980s and that Doi Moi (economic renovation) marked a new stage in the economic development of the country, since its aim was to transform the country from a failed command and control economy to a market-oriented one. Vietnam has since opened its doors to the West and has implemented its market-oriented economy policy for more than two decades. Under this

open-door policy, Vietnam's economy has arguably become much healthier and more sustainable. Foreign direct investment (FDI) has played an important role in the social and economic development of Vietnam. In the World Investment Prospects Survey 2009-2011 conducted and released by the United Nations Conference on Trade and Development (UNCTAD), Vietnam is in the top 15 most attractive economies for FDI in the world (UNCTAD, 2009). The attracted FDI in the first quarter of 2011 was estimated to reach US\$187.5 million (Ministry of Planning and Investment, 2011).

Amongst the many fundamental changes in policies including the abandonment of the subsidised economy, the change in accounting practice has represented a major change in the government's direction since the commencement of the open-door policy and economic renovation in Vietnam in 1986. Given the influx of foreign investment, together with Vietnam's aim to integrate into the world economy, qualified accountants and auditors are in high demand. In 2007, the country had 136 auditing companies that provided over 20 services for customers (Vietnam News Agency, 2007). This number has increased to 155 auditing companies in 2010 (Investment Magazine, 2011). According to the Ministry of Finance of Vietnam, the number of professional auditing firms and auditors in Vietnam will need to increase ten fold by 2012 to meet demand (Vietnam Investment Review, 2002) and the number of professional auditors in the country needs to increase drastically to 3,000 by 2010 to meet demand (Vietnam News Agency, 2007). However, there were only 1,500 auditors in 2009 and according to a senior official of Vietnam Association of Accountants and Auditors (VAA), the country will need 7,000 CPAs in the next 10 years (Bui, 2009).

1.2 Rationale for the research

Vietnam was a French colony from the mid 19th century for more than eighty years. The country is now following the Western accounting profession because of its commitment to a market economy and international economic integration, as well as the increased FDI resulting from the implementation of the open-door policy and economic renovation commenced in the late 1980s. As a result, the state-controlled accounting profession in

Vietnam has developed rapidly since the implementation of the *open-door* policy since 1986.

The vital role of, and the high demand for, the establishment of a strong accounting profession in Vietnam has been evidenced by a number of developments, including:

- the signing of a Memorandum of Cooperation between the Vietnamese Ministry of Finance (MoF) and the ACCA – the Association of Certified Chartered Accountants – in December 2003, to operate a Joint Examination Scheme which provides Vietnamese participants with access to an internationally recognised qualification;
- In 2006, the inclusion of the two local variants on Vietnamese taxation and legislation in the Joint Examination Scheme, which provides more opportunity for Vietnamese students to become accounting and auditing professionals and who meet both the Vietnamese and international requirements;
- the agreement between the Vietnam Association of Certified Public Accountants and Auditors (VACPA) and CPA Australia in May 2006 on mutual recognition of qualifications. Accordingly, CPA Australia members who are Vietnamese citizens and foreigners will be granted a Certificate of Auditors of Vietnam and recognised as a Vietnam CPA if they meet certain requirements; and
- the admission of Vietnam to the World Trade Organisation (WTO) in January 2007.

Objective of this study

There is limited academic research published regarding the professionalisation of accounting in non-English speaking countries. In particular, where these countries operate under a socialist-oriented market economy, the role of accountants and their professionalisation process have been relatively under-explored. Therefore, this study seeks to contribute to the existing literature on the sociology of the professions by

examining the role of the state in the development of the accounting profession in Vietnam.

In this research, accounting practice during French colonial rule will be examined. This is then followed by an examination of the accounting development in the post-colonial periods and the role of the state in this development, reflected through accounting regulations and the law. It does so by using relying on the sociology of professions literature and in particular the Puxty *et al.* (1987) work which recognizes the State, Market, and Community principles to understand the factors underpinning the development of accounting in Vietnam.

The triangulation approach defined and explained by Denzin (1978a, 1978b) and Krefting (1991) is used for data analysis in this study. Data collected from the archival records was validated by semi-structured interviews with key government officials of the MoF, and the examination of newspapers and other official reports including academic articles.

1.3 Research questions

In order to examine the development of the accounting profession in Vietnam, and the role of that development, the research questions are as follows:

1. How have external factors, such as the influence of the French, the United States, China and the Soviet Union, contributed to the development of the accounting profession in Vietnam?
2. How has the internal environment in Vietnam, including the impact of political and economic policies, contributed to the development of the accounting profession in Vietnam?
3. What is the predominant model of the accounting profession adopted in Vietnam in 2010?

1.4 Scope and significance of the research

The research program focuses on key government officials in selected ministries, that is, Ministry of Finance and Ministry of Planning and Investment (MPI), in Vietnam; and representatives of accounting associations and international professional organisations in Vietnam.

This thesis is a study of the development of accounting in Vietnam, taking into account the historical changes of accounting regulation on the development of the accounting profession corresponding to the history of Vietnam. This study examines how historically the government in Vietnam influenced and effectively controlled the development of the accounting profession. It does so by investigating, based on archival records, the development of Vietnamese accounting as controlled and regulated by the State. The study also considers the interplay with the French colonial influence, which did not prove not to be a dominating factor as occurred in other colonized countries and, as such, makes a contribution to the literature.

The duration of the study covers the period from the mid 19th century to 2010 (more than 150 years). This historical study aims to contribute to the literature on the sociology of the professions and should therefore be of interest to accounting policy makers in Vietnam and should also be of interest to those researchers interested in the professionalization of accounting in developing countries.

The significance of the research indicates that, despite French rule for more than eighty years, the development of the accounting profession in Vietnam in the colonial and post-colonial periods was not initiated nor influenced by the French, or the Americans. This is a distinctive difference in the development of the accounting profession between Vietnam, as an ex-French colony, compared to most ex-British colonies.

It is argued in this study that the Vietnamese Communist Party (VCP)/State plays a dominant role in the development of accounting in the country in the post-colonial periods. The case of Vietnam, therefore, differs to that in most other Southeast Asian

countries due to the direct involvement of the VCP, through accounting regulations and their avoidance of non-socialist principles.

1.5 Limitations

It is important to acknowledge the limitations associated with this study.

Firstly, this study focuses on accounting for the state-owned and foreign-invested enterprises (FIEs), in different periods of time and the role of the state in the development of the accounting profession in Vietnam. The study examines accounting practice and development from the French domination until 2010 and the existing structure of the organization of the accounting profession in Vietnam. Therefore, issues associated with the evaluation and assessment of an accounting system, such as Vietnamese accounting and auditing standards, accounting in state agencies and bodies, the role of the Big 4 and accounting in small and medium-sized enterprises are not addressed in this study.

Secondly, the role of the state, through the MoF, in professional training for accountants and auditors to enable them to be qualified to practice is the focus of the study; hence academic accounting education provided by Vietnamese universities is not examined in this research.

Thirdly, there were a limited number of participants in this research who can recall accounting practice in the country before 1975. Most of those who were involved in accounting or bookkeeping during French rule are living overseas or are now aged.

Fourthly, there is a limited record of financial and accounting documents maintained in the National Archival Centre of Vietnam, due to the war and poor storage conditions. In addition, most of the records and documents were moved to France under an agreement between the two governments.

Fifthly, to help understand the role of the state in accounting development in Vietnam, a majority of interviewees are key government officials and policy makers who have been involved in the policy-making process and/or played a key role in the development of accounting in state-owned and foreign-invested enterprises.

Last but not least, Vietnam is a socialist country, and various issues, as raised in Chapters 5 and 6, are politically sensitive, and may have adverse repercussions. Therefore, they have not been discussed in detail in this thesis, as they were not deemed as necessary and were not the focus of this study.

1.6 The organisation of the thesis

The study is organized into seven chapters.

This Chapter gives an introduction on the background and context of the research, rationale for the research, research questions and the expected research outcomes.

Chapter 2 presents a review of prior studies on the professionalization of accounting, to provide a background understanding of factors underpinning the development of the accounting profession, and identifies deficiencies in the existing literature.

Chapter 3 provides the theoretical and methodological framework for the study, and outlines the research questions, methodology and methods, and the data collection method.

Chapter 4 investigates the development of accounting in Vietnam prior to 1986. Three periods will be examined in this Chapter: period 1 from the French domination in 1858 until 1945 subsequent to the French withdrawal; period 2 from 1945 to 1975, as the country was divided into two from the 17th parallel; and period 3 from 1975 to 1985, when the country was politically independent and the building socialism was commenced in a centrally-planned economy.

Chapter 5 examines the accounting development from 1986 to 1997, when the country was in a transition from a centrally-planned economy to a market-oriented economy,

subsequent to the launch of the economic renovation (Doi Moi) program. The discussion in this Chapter includes the examination of major accounting regulations such as the Ordinance on Accounting and Statistics in 1988, the Charter for Organisation of State Accounting in 1989, and the new accounting system in 1995. In addition, professional accounting training for accountants is also included.

Chapter 6 discusses the development of accounting from 1998 to 2010, when the country is integrated with the world economy and accounting reforms have been undertaken. The key accounting regulation discussed in this Chapter is the Law on Accounting promulgated in 2003. In addition, the Vietnamese Accounting Standards and Auditing Standards are briefly mentioned and professional accounting training programs are also included in this Chapter.

Chapter 7 provides a summary of key findings and the conclusion of the study. Suggestions for future search are also included in this Chapter.

Chapter 2: Literature review

From the earliest times, in any society that used a form of taxation, or calculated numbers of stocks, or reckoned the value of articles of trade or goods, some form of accounting was necessary (Linn, 1996, p. 6).

This Chapter provides a review of previous research on the sociology of professions, to help identify the developments and deficiencies in earlier studies and the justification for this study. It then forms the basis for the research questions outlined in the preceding Chapter. More specifically, this Chapter is organised as follows. The first section presents a review of previous studies on the definition of a profession and professionalization and the approaches to the study of the professions. The second section depicts a review of the literature on the professionalization of accounting under different themes. As it will be helpful to briefly review other professions, this forms the third section. The fourth section provides a brief introduction about Vietnam and prior studies on accounting in Vietnam. The final section provides a summary of the Chapter and defines the research deficiencies.

2.1 - The definition of a profession and professionalisation and approaches to the study of the professions

2.1.1 The professions

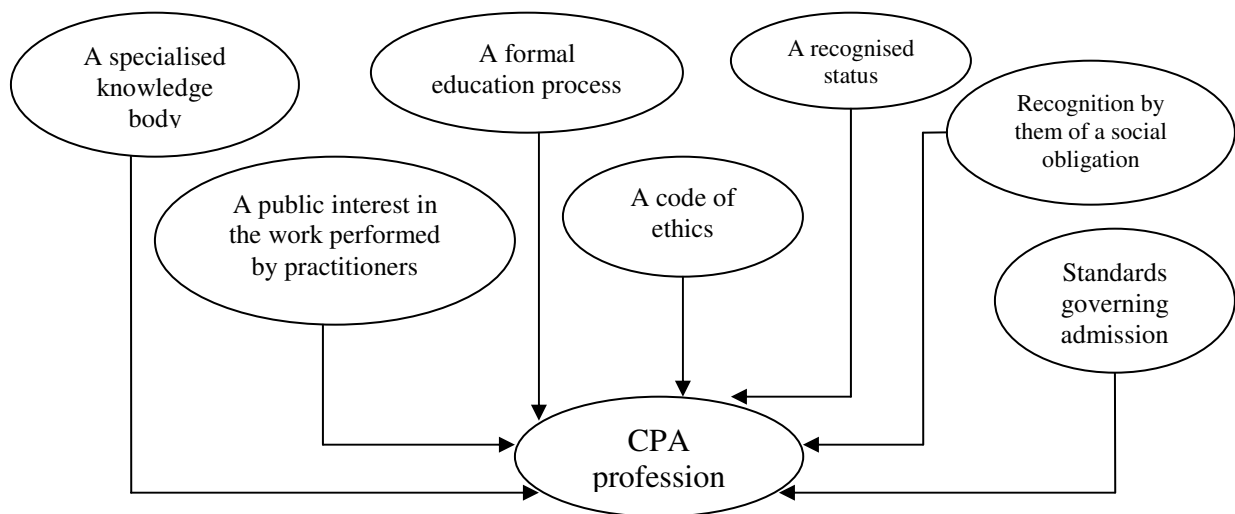
Yee (2001) reviewed numerous studies on the sociology of professions and theories of professionalisation and found that consensus on how a profession should be defined has not yet been reached. Sociological investigations also show that it was not an easy task to analyse the concept of a profession, as remarked by Millerson (1964, p. 1):

Of all sociological ideas, one of the most difficult to analyse satisfactorily is the concept of a profession. Perhaps three basic problems account for the confusion and uncertainty. Firstly, there is the semantic confusion, resulting from wide and excessive use of the word. Secondly, there are the structural limitations enforced by attempts to devise fundamental characteristics of a profession. Thirdly, there is

the adherence to a static model, rather than an appreciation of the dynamic process involved in professionalism.

As such, there have been a number of approaches to the study of the professions and professionalization which will now be discussed.

Seven criteria which distinguish professions from other pursuits were presented by Carey (1969), who argued that, based on these criterion, certified public accountants can fairly claim to be the only true profession in the field of finance and management. The criteria are (1) a body of specialised knowledge; (2) a formal educational process; (3) standards governing admission; (4) a code of ethics; (5) a recognised status indicated by a license or special designation; (6) a public interest in the work that the practitioners perform; and (7) recognition by them of a social obligation (p. 3) as illustrated in Figure 2.1.



*Figure 2.1: Seven criteria for a Certified Public Accountants profession
(Carey, 1969)*

Moore (1970) suggested that professionalism should properly be regarded as a scale rather than a cluster of attributes, and that attributes commonly noted have differing values. Thus, he examined the professional by defining the following characteristics: occupation, calling, organisation, education, service orientation, and autonomy.

In studying the professions, Johnson (1972) examined two broad types of approaches, namely 'trait' and 'functionalist' models of the professions. The trait model, claimed by Greenwood (1966), targeted the formulation of a list of "attributes" representing the 'common core of professional occupations'; whereas, the functionalist approach highlighted "four essential attributes" of professional behaviour which is alleged to be functional to either the wider social system or to specific professional-client relationship. These included attributes such as (1) a high degree of generalised and systematic knowledge; (2) primary orientation to the community interest rather than to individual self-interest; (3) a high degree of self-control of behaviour through codes of ethics internalised in the process of work socialisation and through voluntary associations organised and operated by the work specialists themselves; and (4) a system of rewards (monetary and honorary) that is primarily a set of symbols of work achievement and thus ends in themselves, not means to some end of individual self-interest' (McKinlay, 1973, p. 65). However, the trait and functionalist approaches have major weaknesses in that 'they are essentially ahistorical and asocial explanations of the nature and significance of treating particular occupations as professional; they offer an understanding of the nature of professions only in terms of current practices arising from the so-called needs of society; variations between societies and over time are ignored' (Robson and Cooper, 1990, p. 368).

In sharing similar views, Yee and West (2003) argued that while applied broadly within the context of accounting and some other occupations, "a profession" is a particularly Western concept with peculiarly British origins. In addition, the significance of such status and the process of "professionalisation" by which it is acquired, remain beset by lingering definitional uncertainties. Thus, 'attempts to articulate the sociology of professions will remain inconclusive while they fail to embrace key aspects of the sociology of the societies in which particular professions are located' (Yee and West, 2003, p. 9).

In essence, there are trait and attribute approaches to the study of professions. Willmott (1986) observed that the "functionalist" and "interactionist" perspectives were dominant before the early 1970s, and followed by the emergence of a "critical" perspective, which

draws heavily upon the work of Weber and Marx. In the functionlist perspective, as explained by Willmott (1986), professions were regarded as “...integrated communities whose members undertake highly skilled tasks that are crucial for the integration and smooth operation of society” (Willmott, 1986, p. 557). Whereas, the interactionist approach studies professions as “...interest groups that strive to convince others of the legitimacy of their claim to professional recognition” (Willmott, 1986, p. 557).

I am not going to use all of these approaches. As the accounting profession in Vietnam is state-controlled, this study is based on trait interpretation to examine the role of the state in the development of the accounting profession.

The term of a profession defined in the Macquarie Dictionary, as reviewed by Leung, Dellaportas and Cooper (2004), is ‘a vocation requiring knowledge of some department of learning or science, especially one of the three vocations of theology, law and medicine’. As described by Leung *et al.* (2004, p. 1.4), a profession should display the following key attributes:

- (a) a systematic body of theory and knowledge;
- (b) an extensive education process for its members;
- (c) an ideal of service to the community;
- (d) a high degree of autonomy and independence;
- (e) a code of ethics for its members;
- (f) a distinctive ethos or culture;
- (g) the application of professional judgement; and
- (h) the existence of a governing body.

These attributes are illustrated in Figure 2.2 below:

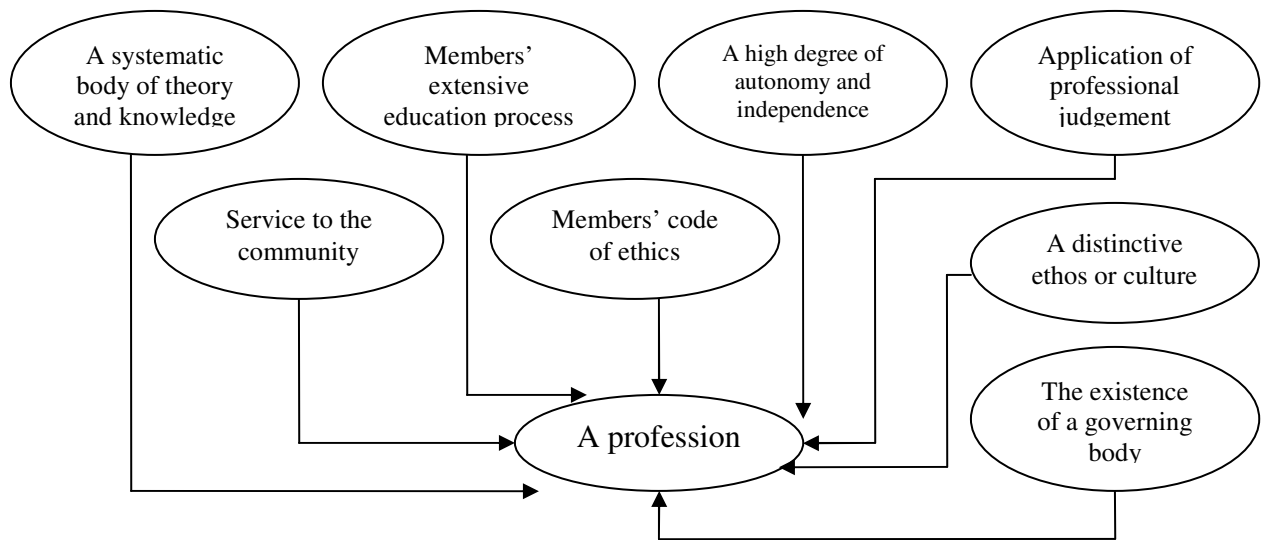


Figure 2.2: Key attributes for a profession (Leung et al., 2004, adapted from Greenwood, 1966)

2.1.2 Professionalisation

Millerson (1964) defined professionalisation as ‘the process by which an occupation undergoes transformation to become a profession’ (p. 10). In his study, Millerson (1964) identified six essential features of a profession which were later on adopted by Yee (2001) as follows:

- (a) A profession involves a skill based on theoretical knowledge.
- (b) The skill requires training and education.
- (c) The professional must demonstrate competence by passing a test.
- (d) Integrity is maintained by adherence to a code of conduct.
- (e) The service is for the public good.
- (f) The profession is organized.

These features are illustrated in Figure 2.3 as follows:

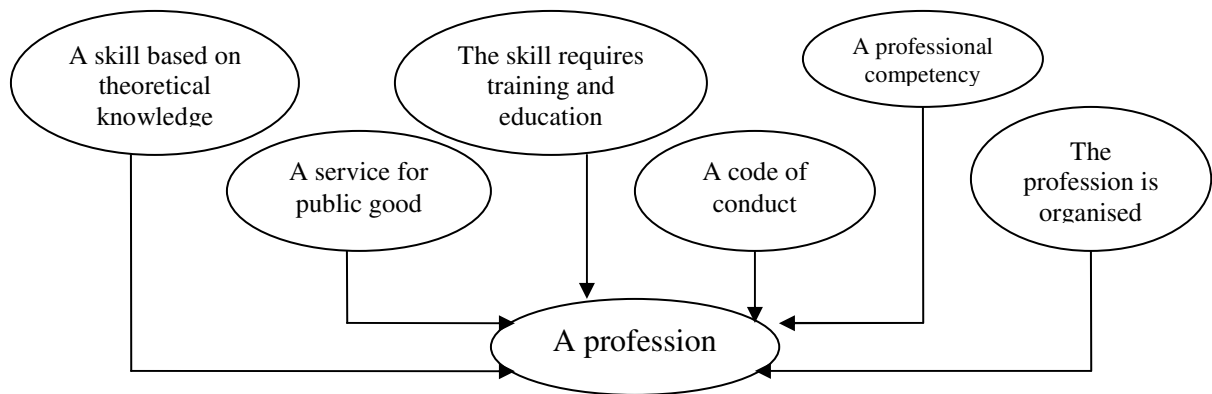


Figure 2.3: Six features of a profession (Millerson, 1964)

In addition, professionalisation was also defined by Carr-Saunders (1966) from a historical perspective as ‘....the acquisition of specialised skill and training among members of an occupation, the establishment of minimum fees or salaries, the formation of professional associations, the formulation of professional codes of ethics, and the establishment and enforcement of minimum qualifications for entrance into professional practice’ (p. 43). This is shown in Figure 2.4 below.

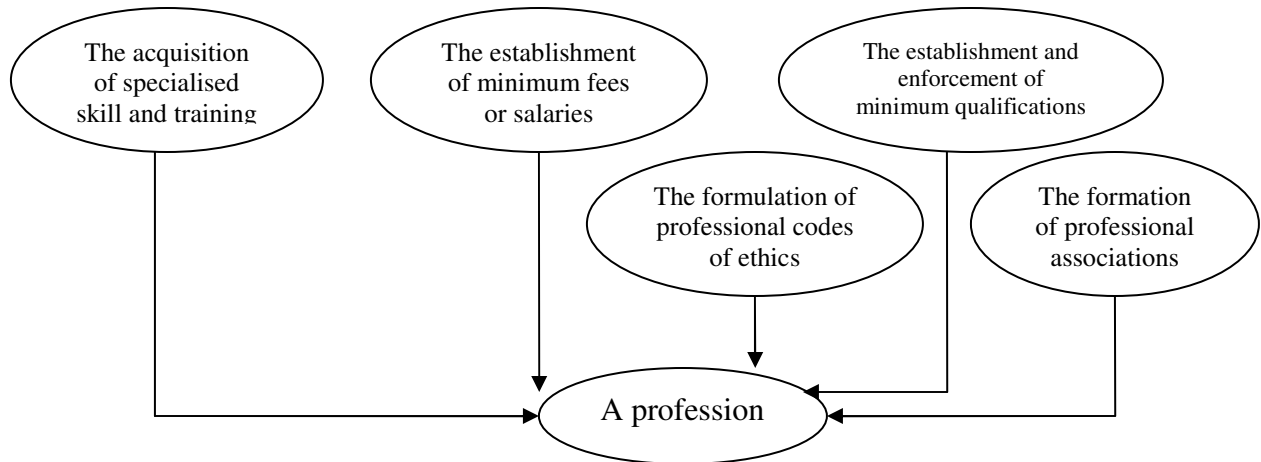


Figure 2.4: Five features of a profession recommended by Carr-Saunders (1966)

Similarly, Greenwood (1966, p. 9) offered another ‘set of attributes’ of a profession, namely (1) a basis of systematic theory; (2) authority recognised by the clientele of the professional group; (3) broader community sanction and approval of this authority; (4) a code of ethics regulating relations of professional persons with clients and with

colleagues; and (5) a professional culture sustained by formal professional associations. The following Figure 2.5 provides a summary of these attributes:

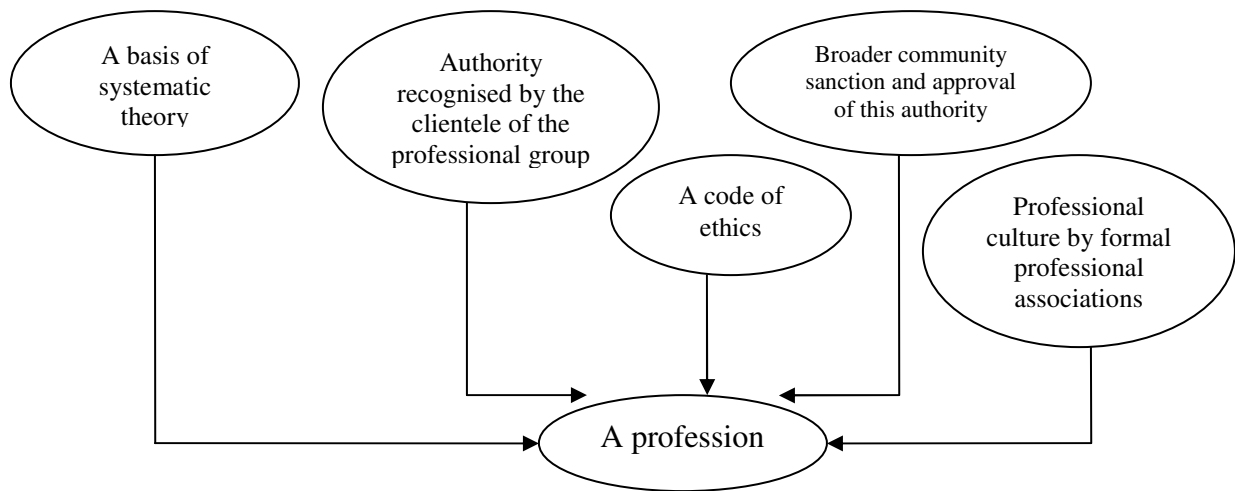


Figure 2.5: Five attributes of a profession recommended by Greenwood (1966)

However, in a book edited by Vollmer and Mills (1966), Foote (1966, pp. 43-44) described ‘in a condensed manner’ the basic elements of professionalisation into three categories, which are (a) the acquisition of a specialised technique supported by a body of theory; (b) the development of a career supported by an association of colleagues; and (c) the establishment of community recognition of professional status, as summarised in the Figure 2.6 below.

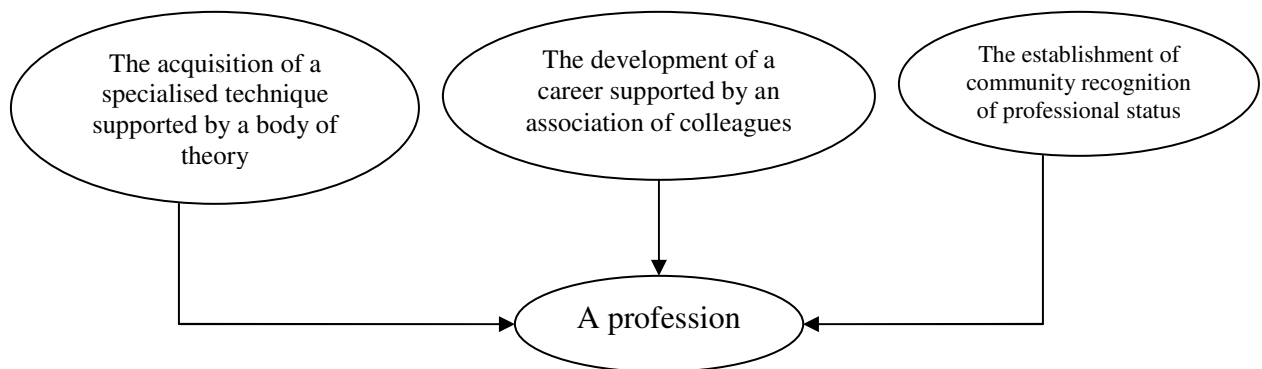


Figure 2.6: Three basic elements of a profession recommended by Foote (1966)

In summary, previous studies by researchers on the concepts of a profession and professionalisation are listed in the Table 2.1 below.

Table 2.1 – A summary of studies on attributes of the concepts of a profession and professionalisation

Attributes	A systematic body of theory and knowledge	An extensive education process	An ideal of service to the community	A high degree of autonomy and independence	A members' code of ethics	A distinctive ethos or culture	The application of professional judgement	The existence of a governing body
Leung, Dellaportas and Cooper (2004)	✓	✓	✓	✓	✓	✓	✓	✓
Moore (1970)	✓	✓	✓	✓			✓	✓
Carey (1969)	✓	✓	✓	✓	✓		✓	✓
Millerson (1964) and Yee (2001)	✓	✓	✓		✓		✓	✓
Carr-Saunders (1966)		✓			✓	✓	✓	✓
Greenwood (1966)	✓		✓	✓	✓	✓		
Foote (1966)	✓	✓	✓					

Of these attributes of a profession described in the literature, the concern relating to the accounting profession in Vietnam is whether it has some or all of these attributes and how the development of the accounting profession differs from that in Western countries and other ex-colonies.

The full role-set of the professional, observed by Jackson (1970), was a combination of all of these elements: experience, apprenticeship, and most importantly sets of attributes appropriate to the different audiences of laymen and other professionals, assistants and competitors. Concerned primarily with the definition of occupational activities in response to the demands of the structural situation of the occupation itself, Harries-Jenkins (1970, p. 58) elaborated a definitive list of the elements of professionalisation, which consists of 'six constituent elements' deriving twenty-one sub-elements that characterise professionalisation. Further, Vollmer and Mills (1966, p. 46) argued that professionalisation 'cannot be understood without taking into account certain aspects of

the larger society in which it takes place'. They concluded that 'the process of professionalisation is inextricably linked to the kind of society in which it takes place – to its political form, its cultural norms, and its social structure, as well as its stage of technological development' (p. 62).

Larson (1977) examined how professions organised themselves to attain market power. She defined professionalisation as '... the process by which producers of special services sought to constitute and control a market for their expertise' (1977, p. xvi), and '...a collective assertion of special social status and as a collective process of upward social mobility' (1977, p. xvi). She argued that market control and social mobility were the two dimensions of the professional project (1977, p. xvii). Following Larson's (1977) work, a working theory of the professions was developed in MacDonald's (1995, p. 32) work shown in Figure 2.7 as follows.

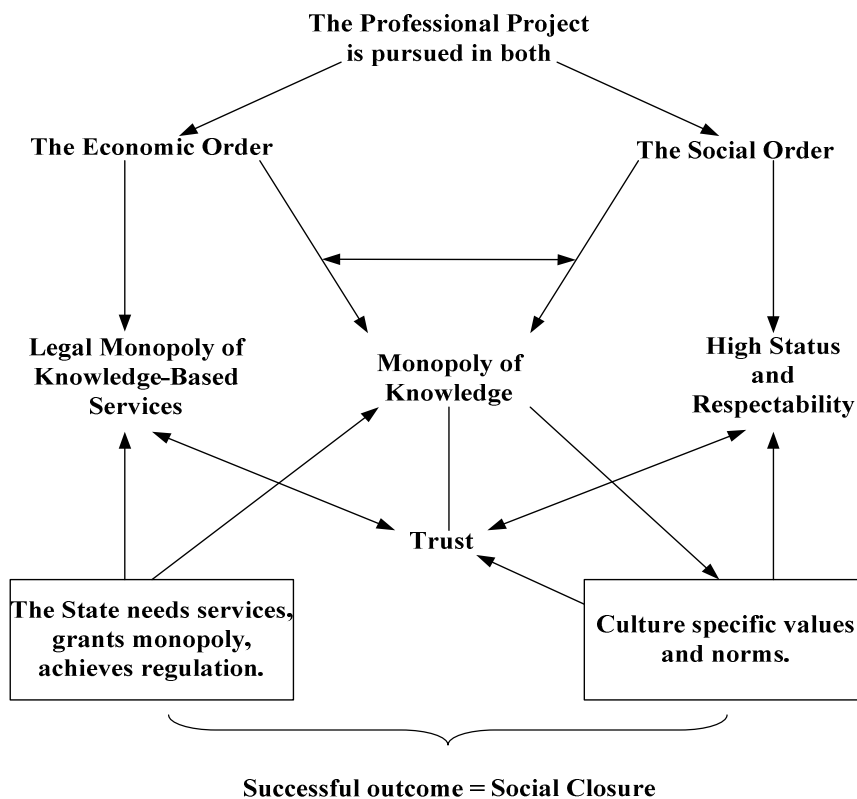


Figure 2.7: A working theory of the professions: a conceptual outline (Macdonald, 1995, p. 32)

Siegrist (1990) argued that the 'professionalisation process is also relative to a specific society and to a particular historical period' (p. 178). He observed the professionalisation process in Europe that...

In the case of the bureaucratic centralised states of continental Europe, the process of professionalisation was initiated by kings, princes, patricians and states, who attempted to influence the behaviour of barristers, clergymen and, to a lesser extent, also of medical practitioners, by issuing codes of ethical conduct. By the eighteenth or early nineteenth century, the function and operational realm of these occupational groups were state-regulated (Siegrist, 1990, p. 181).

This model of a professionalisation process which is controlled by the state aligns with the models of the development of the accounting profession in countries such as China and Vietnam, where the state plays a dominant role in the development of the accounting profession. West (2003, p. 25) argued in his study that 'the twentieth century witnessed a persistent effort by sociologists to forge greater understanding of what professions are and what roles they play'. West also remarked that 'the importance of the understanding of the initial professionalisation of accounting transcends the time-frame from which it originates' (2003, p. 56).

2.2 - A review of the literature on the professionalization of accounting

There has been much academic debate and research on the professionalization of accounting in Western countries (Willmott, 1986; Puxty *et al.*, 1987; Chua and Poullaos, 1993, 1998; Caramanis, 1998, 1999, 2002, 2005; to name a few) and then extended to non-English speaking countries such as France (Ramirez, 2001) and Belgium (Beelde, 2002, 2003).

As noted by Yee (2001), one of the earliest studies of the professionalisation process that incorporates a sociological perspective is the Willmott (1986) study on the organisation and development of the accountancy profession in the UK. In his study, professionalisation is perceived as a strategy of collective social advancement. The

relationship of the professions with powerful others such as the market and the state is one of the conditions for the success of the professionalisation process. Subsequently, a number of studies on the professionalisation of accountants in Scotland in the UK has also been undertaken by Walker (1991, 1995, 2004), and Walker and Shackleton (1995). Consistent with Willmott's (1986) interpretation, Walker's argument, noted by Yee (2001, p. 6), is that '...the organisation of the profession can only be understood in the context of the underlying social, economic and political circumstances'.

In the professionalization projects during the last five decades, there are various theoretical perspectives employed to understand the transformation of the accounting profession, drawing from the sociology of the professions which focused on an attempt to develop and improve our sociological knowledge (Calhoun *et al.*, 2007, p. 1). Specifically, theories are expanded to further understand the development of the profession such as functionalist, interactionist, and critical theories. In addition, several concepts and theories (as shown in Table 2.2) have emerged from the latter sociological studies such as social closure and cultural factors (MacDonald, 1995; Sakagami et al., 1999; Ramirez, 2001; Caramanis, 2005; Yapa, 2006, 2010); market-state-community (Streeck and Schmitter, 1985; Puxty *et al.*, 1987; Hao, 1999); state-profession relationship (Bougen, 1997; Ballas, 1998); imperialism, gender, ethnicity, race and the profession (Hammond and Streeter, 1994; Hammond, 1997; Annisette, 1999, 2000, 2003, 2010; Bakre, 2005, 2006; Sian, 2006, 2007, 2010; Richardson, 2010; Carnegie and Parker, 1999a, 1999b; Carnegie and Edwards, 2001; Carnegie, Edwards and West, 2003; Susela, 2010; Yapa, 2010); class-status-party system (Chua and Poullaos, 1998; Xu and Xu, 2003; Caramanis, 2005; Bakre, 2010); hegemony (Tinker, 1984; Goddard, 2002; Yee, 2009); and globalization and the profession (Caramanis, 2002). These are summarised in the following table:

Theories and concepts		
Grand theory	The sociology of professions	
Formal theory	Trait and functionist	

	Interactionist Critical theory	
Substantive theory and concept	Neo Weberian concept State, market, community Marxist concept Other concepts (eg. hegemony)	Neo Weberian concept: social closure and cultural factors; class-status-party system; state-profession relationship; imperialism, gender, ethnicity and race and profession

Table 2.2 Summary of theories and concepts employed in the professionalization projects

Some key papers which are relevant to this study will be examined in the following sections.

2.2.1 The State, the Market and the Community

In their study, Streeck and Schmitter (1985) identified (as shown in Table 2.2) three respective and distinctive guiding principles of social order under a critical perspective: the State (or the Bureaucracy), the Market and the Community, which could be labelled as hierarchical control, dispersed competition and spontaneous solidarity respectively. Their study also suggested the existence of a fourth principle, the Association or organisational concertation, in contrast to the fore-mentioned three guiding principles.

Willmott (1986) conducted a study to provide a perspective for understanding professional associations as political bodies developed to defend the interests and preserve the scarcity of their members' labour, by including a consideration of professionalization, as well as an examination of the institutions of the market and the state in the UK. In addition, the study traced the history of the professional bodies, focusing on the competition between the major associations as well as the economic and political contexts of their emergence, merger and failed integration. The findings

challenged the technical, political neutral self-understanding of the profession and thus sought to contribute to a debate on whether the profession was in a socialised position in relation to the market and the state, in a way that could enable it to adequately gauge and safeguard the public interest.

By critically using the Streeck and Schmitter (1985) work, Puxty *et al.* (1987) examined (as shown in Table 2.2) the regulations as an expression of the combination of the three organising principles of the State, the Market and the Community, to compare the mode of accounting regulation in four capitalist countries: the Federal Republic of Germany, the UK, Sweden and the US. In respect of the fourth principle – the Associative model of social order in the Streeck and Schmitter (1985) work, Puxty *et al.* (1987) argued that they believed that it would be better to understand it as an outcome of the intersection of State, Market and Community, rather than as an independent factor. Thus, the roles of accountancy in regulating economic and social activities in society, and the manner in which the institutions of accountancy were regulated, were themselves the focus of their study. Their findings highlighted the significance of contradictions within and between the organising principles of advanced capitalism and sought to display the regulation of accounting as a medium and outcome of the articulation of these contradictions.

Adopting the same theoretical framework (as shown in Table 2.2) as that of Puxty *et al.* (1987), Seal *et al.* (1996) analysed the collective mobility project of accountants and auditors in the Czech Republic, a socialist country, as they had attempted to possess new areas of economic activity brought about through the post-1989 transition in the Czech society. They did so by examining a changing balance between the guiding principles of the State, the Market and the Community, within which Czech accountants and auditors were visualised as pursuing the twin and related strategies of constituting a professional market and identifying themselves in the regulatory power of the state. Their findings suggested that, as the key to professional credibility in an unregulated market was professional reputation, the ambivalent policy of the Czech government had made it easier for the multinational accounting firms with reputations built up over decades in mature capitalist societies (the Big Six) to invade the potential domain of Czech auditing and accounting professionals. In addition, Bougen (1997) examined the 1988 Spanish

Audit Law, with particular focus on the relationships between auditing and the Spanish state, to illustrate the imminent capacity for the movement of these connections and to consider some of the mechanics of such moving relationships.

Using the same theoretical framework as Puxty *et al.* (1987), Hao (1999) examined the changing balance, over time, between the State, the Market and the Community, as principles in the organisation and regulation of accountancy practitioners in China during the twentieth century, with particular focus on the post-1978 period, when China adopted the policy of openness to the outside world. The study argued that while the balance between the State, the Market and Community is shifting, the State maintains quite a degree of influence over Chinese accountancy through its control of Chinese accountants.

The findings suggested that although foreign influence played a larger role than the local community and market forces in the re-emergence and development of the CPA profession in China, the Chinese state had sought to direct and supervise foreign influence. By passing government decrees, the re-emergence of the CPA profession and the formation of the Chinese Institute of Certified Public Accountants (CICPA) arose, without passing through the stage of spontaneous development experienced by professional associations in the UK in the nineteenth century. More importantly, the Chinese experience provided a strong contrast with the case of the Czech Republic, where the government adopted *laissez-faire* principles more comprehensively and more rapidly. It is noted that the study on Chinese accounting provides empirical support for the study on Vietnamese accounting.

It is also observed that the three organising principles in the Puxty *et al.* (1987) study – the State, the Market and the Community, which were identified as providing modes of regulation – are appropriate to examine the professionalization of accounting in Vietnam, a country where the state plays a dominant role in the development of accounting, through laws and regulations. Therefore, the Puxty *et al.* (1987) work is deemed appropriate to be used as the theoretical framework in this study.

2.2.2 State regulation, self-regulation and state-professional relationship

Miller (1990) argued that a concern with the interrelations between accounting and the state was integral in a number of studies of accounting change. The focus of Miller's (1990) study was on the changes which took place in accounting and the state in the reign of Louis XIV from 1661 – 1683 in France, when private enterprise accounting and other practices of government were revamped. The findings suggested that it was important to examine the interrelations of accounting and the state, rather than viewing these two phenomena as linked only by external relations with each other.

Chua and Poullaos (1993) conducted a study to analyse an attempt by Victorian accountants to attain a Royal Charter from 1904 – 1906, focusing on the profession – state relations to develop a more comprehensive understanding of professionalization endeavours. The shifting constraints on and opportunities available to key players in state agencies and accounting associations were tracked. Their findings suggested that the outcome of the Victorian Charter attempt was not seen as being “optimal” in any way, even from the viewpoint of the Colonial Office. No particular grounds were found to believe that their decision was guided by an intention to protect the interests of a ruling capitalist class.

In their study, Carnegie and Napier (1996) looked at an emphasis on the importance of perceiving accounting as a social practice to be understood in the context in which it operates, as a phenomenon local in both space and time. They argued that new accounting historians were more likely to see accounting as an instrument of power and domination than as a value-free body of ideas and techniques for putting into effect and monitoring contracts freely entered into between equals. Issues raised were whether accounting should continue to permeate so many aspects of life as we enter the twenty-first century, the need for understanding how accounting has come to be mobilised, its rationales and rationalisations and those who use it and are affected by it, all being just as important as introducing and developing more functional techniques of recording and measurement (Carnegie and Napier, 1996).

Napier (2006) reviewed 30 years of historical accounting research and summarised themes in the new accounting history, in which he observed a number of studies in the

journal Accounting, Organisations and Society (AOS) on accounting history literature. The new accounting history examined closely three of the principal themes of historical research published in AOS: accounting, power and knowledge; accounting's professionalisation projects; and new understandings of accounting's roles in representing the economics. Important studies on the professionalisation of accounting reviewed by Napier (2006) included those on the sociology of the professions (Willmott, 1986), and on the relationships between professional accountancy and the state, mainly in the UK (Puxty *et al.*, 1987; Cooper *et al.*, 1989; Robson *et al.*, 1994). In addition, in the study of Shackleton and Walker (1998), Walker (1991, 1995, 2004), and Walker and Shackleton (1995, 1998), the interface of professional bodies with each other and with the state were analysed through a detailed examination of public records, professional archives and secondary sources.

Studies of the accountancy profession in Australia examined market closure (Chua and Poullaos, 1993, 1998; Poullaos, 1993, 1994) and the emergence and decline of professional bodies (Carnegie, 1993). Professional ethics (Preston *et al.*, 1995), the self-regulation of the professional bodies in the UK accounting profession from the state (Sikka and Willmott, 1995), and the recognition of the diversity of accounting practice and the social and economic roles of accountants (Matthews *et al.*, 1998; Armstrong, 1987; Hopper and Armstrong, 1991) were also studied.

The emergence of the auditing profession in Greece and how it was used by the state to further its strategic interests during the late 1940s and early 1950s were examined by Ballas (1998). The findings demonstrated that auditing was perceived as an instrument of both economic and political control as well as a legitimising device of the Greek government at the time. The overall argument was that the professionalization project for auditors was initiated by the Greek state because auditing was perceived as an effective instrument of social management to establish its authority rather than as an instrument to serve the needs of capital, of business enterprises, or the profession itself.

Aiming to throw further light on how the state-profession nexus impacted on the early professionalization of accounting, Chua and Poullaos (2002) investigated the emergence

of an imperial accountancy arena to contribute to the understanding of the 19th century professionalization of accounting as a cross-border phenomenon. They did so by demonstrating how the strength of ties between parts of a periphery characterised by inter-colony differences and similarities imposed by constraints on the imperial centre. They examined the interrelations between the ICAEW and the accounting associations in self-governing colonies in Australia, British North America and Southern Africa during 1880 – 1907. Their findings suggested that the notions of professionalism originating in Britain spread to these self-governing colonies, with colonial associations borrowing heavily from British exemplars; and that the imperial intra-profession dynamics such as local associations were proactive in seizing such opportunities to put pressure on the ICAEW to, at least, take them seriously and consider mutual recognition.

The interconnectedness of national politics with global forces and the ramifications of this interaction for the regulation of accounting and the state-profession relationship and changes in the state-profession relationship in the ‘globalisation’ era were explored by Caramanis (2002). The findings suggested that the lessons learnt from the Greek experience seemed to be relevant to a number of countries – weaker or more important players in the world economy and politics – as they realigned the assemblage of government in accounting and in other domains, responding to the progression of internationalisation of the world economy.

Beelde (2002) examined the main parties involved in the creation of the Belgian auditing profession in the late 1940s and the 1950s – the state, the employers and the unions – in which the state maintained a separation between the Belgian profession of independent auditors, the *reviseurs d’entreprises*, and the association of accounting professionals, the *expert comptables*, who attempted first to prevent the creation of an auditing profession and then to obtain control over it. The findings suggested that the parties in the debate supported different professional models, depending on what they considered the main role of the auditor to be. Also, the focus of the debates preceding and following the introduction of the profession was on the autonomy and structure of the profession, the services to be provided by auditors, and access to the profession.

The profession-state dynamics which had helped shape the outcome of the various episodes in the history of the accounting profession in Nigeria was also examined by Uche (2002). Uche noted Collins' (1990) observation on the inclusion of the historical analyses of professionalism that capture historical specificities to future research into the neo-Weberian sociology of professions, which should also include the investigation of the structural conditions under which the professionalisation process takes place. The study demonstrated that the nature of the government in place (military or democratic), societal expectations, interest groups and government actions, had impacted on the development of the accounting profession in Nigeria. The findings suggested that it was not only public needs and expectations as well as professional competence influencing the dynamics of the state-profession relationship, but also pressure group lobbies, the type of government in existence and personal relationships, all being important variables in the state-profession dynamics.

Cooper and Robson (2006) argued in their study that the institutions and sites of professionalization projects and regulatory processes mattered. They argued that professional firms played an increasing role in the professionalization and regulatory processes, although they had not received the attention they warranted – namely that an examination of the multi-national professional service firms (Big Four) could enhance an understanding of professionalization and professional reputation. Their findings suggested that engaging with dispersed sites of accounting professionalization and regulation was not only about identifying a neglected theme in the literature, but also a different political engagement in relation to the accounting profession and regulation.

Following up Chua and Poullaos (2002) study, Poullaos (2010) extended the evolution of the imperial accountancy arena during the 1920s, with continued focus on the cross-border profession-state interaction between the imperial centre – Britain – and (part of) the colonial periphery – Canada, Australia and South Africa. The findings noted the existence of the tension between formal equality and autonomy, and informal dependence in accountancy circles during the 1920s. This tension was resolved by the work of getting and keeping 'CA' (chartered accountant) within that arena, motivated partly by the desire to compete for 'English audits'. As such, the 'formal' profession-state relationship was a

crucial element of success in the 'informal' world of markets and capital flows, without a strict division between them.

Extending his earlier study, Uche (2010) explored the challenges to the accounting profession in Nigeria resulting from the influences of the country's colonial history, its level of economic development, the accounting needs of the multinational business enterprises, and the interests of government and local businesses. His specific focus was on how the country's colonial heritage influenced the development of company law in Nigeria along the lines of British law. His conclusion suggested that Nigeria's colonial heritage included the emergence and dominance of British businesses in the country's economic landscape influenced the influx of British accounting firms and accountants and the structure of the emergent accounting profession.

2.2.3 Globalisation and domestic economy

The Susela (1999) study offered insights into the conflicts and tensions within the Malaysian accounting profession and the power struggles therein to dominate the accounting standard setting process between the Malaysian Association of Certified Public Accountants (MACPA) and the Malaysian Institute of Accountants (MIA). The study illustrated that the notions of professional, state and corporate interest (among others) had become embedded in Malaysian standard setting processes, through a historical analysis of the controversy over goodwill reporting standards. Her findings suggested that the accounting profession in Malaysia was developed along the lines of the British model and was actively involved in the standard setting process and other regulatory activities, in a corporatist relationship with the Malaysian state. Following her earlier study, Susela (2010) argued that Malaysia's colonial legacy had affected the nature and course of professional transformation. She observed that the MACPA-MIA power struggle saga continued to the time of the research. In addition, the increased globalisation and internationalisation of the accounting profession had brought about further challenges for the MACPA and the MIA. In the country's aspirations to become a developed economy by 2020, and in response to the Ninth Malaysia Plan on human capital development, a plan was revealed by the MIA to introduce competency assessment to be conducted by the MIA prior to admission of its members, which might

make the MACPA redundant, which could then eliminate the power struggle between these two bodies.

2.2.4 Socio-historical typology of professions, professionalization as a resistance

Dyball and Valcarcel (1999) investigated whether the regulation of accounting in the Philippines was corporatist in which the state conferred upon the accounting profession certain privileges in exchange for the profession's role in governing institutions on behalf of the state. Their study demonstrated that the "traditionalist"/familial culture mediated the "rationalist"/legalist corporatist framework of the accounting profession in the Philippines, and the corporatist framework was inoperable in the Philippine context. In addition, Dyball, Poullaos and Chua (2007) study examined the emergence of the Philippine public accounting profession, resulting from the Philippine accounting law in 1923 when the country was a US colony. Their argument was that the initial act of professionalization of the Philippine public accounting profession was an expression of the struggle of the local elite, using the Filipino legislature as its instrument, against the local American administration to achieve formal independence. They concluded that the emergence of organised public accountancy in the Philippines could not be attributed to the absence of dynamics associated with booming markets for accountancy services, a proactive, self-identifying accountancy community, or a modern state apparatus, in an empirical context or otherwise.

2.3 - Other professions

The previous sections have discussed studies on the accounting profession and the professionalization of accounting. It is also useful to briefly discuss other professions to have an overall understanding about the professions in general. In addition, the discussion on other professions such as the legal, medical, teaching and engineering professions in some countries (Australia and the US) aims to provide a comparative background for the development of accounting.

In his study, Perrucci (1973) indicated that the established professions of medicine, law and theology best exemplify occupational groups with sufficient power to shape their

own affairs with a minimum of interference from other segments of society. In addition, these established professions have traditionally been concerned with the problems of individuals, and with society only in the aggregate sense.

Marcus (1973) also discussed the curtailment of teacher power and some of the limits placed upon their professionalism with a primary focus on the 'social structure bases of professional behaviour rather than on the social-psychological variables' in the US (p. 193). He observed that teachers had been unable to develop a constructive role which provided the community with a needed service that was controllable by the teachers themselves. He concluded that the teaching profession today emerged as a conservative force in the community, hostile to administration, resistant to change and incapable of providing service to meet social needs (Marcus, 1973).

Some of the main features of the engineering profession were examined by Perrucci (1973). He noted that in contrast to medicine, law, or the clergy, engineers did not, as a profession, maintain exclusive jurisdiction over their practice. He also suggested that 'the engineering profession today is organised so poorly that it cannot generate the power necessary to serve a truly technocratic role' (pp. 119-133).

Regarding the legal profession, Boreham *et al.* (1976) noted that, despite the concern which had been expressed about the legal profession's relative insulation from the full impact of societal consensus on values and its demonstrated reluctance to look favourably on any but the most limited reforms, the profession in Australia has nevertheless been accorded a considerable amount of power and autonomy to manage its own affairs. As also examined by Angyal and Payne (1976), the legal profession in Australia, which is self-governing in many ways – that is, it makes and enforces rules controlling the conduct of its members - has a large degree of autonomy. The law societies have considerable funds at their disposal and this gives them powers far greater than those of some other professional organisations. However, they also found that the profession used interest on clients' money to make up for defalcations by its members, and spends some of the balance on legal aid, most of which ended up in the solicitors' pockets in the form of fees. By behaving in this way, a profession is inviting greater control by government or

by independent bodies on which consumers of legal services are represented. Angyal and Payne, therefore, concluded 'that the profession can have its autonomy only when it acts for the public benefit' (Angyal and Payne, 1976, pp. 110-133).

In discussing the medical profession in Australia, Boreham *et al.* (1976) argued that the Australian medical profession had attained almost exclusive jurisdiction over determining which particular forms of behaviour constitute illness. Their findings suggested that the medical profession was largely engaged in evaluative activities which were concerned with determining what is normal or proper or desirable, despite its neutral and scientific facade.

White (1976) examined the increasing tendency toward professionalisation by Australian teachers, including demands for autonomy in classroom situations, control over education policies, exclusion of external intervention, and the establishment of strict criteria for admission to the profession. As a result of the evident defensive stance toward both the administration and the community, he concluded that the teaching profession in Australia 'places itself in a conservative role' (pp. 156-168).

Abbott (1988) explored the role of professions such as law and medicine in modern life and built a general theory of how and why professionals evolve. His work also emphasized the degree to which the professionalization process was structured by interprofessional competition and conflict.

The previous sections have provided a review of the literature on the professionalization of accounting under different themes and briefly reviewed other professions. It is useful to have a brief introduction about Vietnam and prior studies on accounting in Vietnam.

2.4 - Vietnam in brief and prior studies on accounting

Vietnam is very different from Western countries in many aspects. It is a one-party centrally controlled constitutional republic, which has embarked on the path of economic renovation and liberalisation since 1986, operating under the leadership of the VCP. Similar to China (Yee, 2009), Marxism has been the dominant influence over Vietnam

for over 30 years. Most importantly, the Vietnamese government plays a much more dominant role in society than governments in Western countries. It is the Vietnamese leaders' endeavour to maintain a socialist ideal, in a belief that a socialist Vietnam will bring prosperity to all the Vietnamese people in a 'civilised and equitable society' as per the VCP's slogan in the late 1990s (Beresford and Tran, 2004; Beresford, 2008; Respondek, Tran and Nguyen, 2010). This is a very important and unique feature in Vietnam, where the state plays a dominant role in the social and economic development, which in turn influences the development of accounting.

Prior to this research (2005 – 2010), there have been some studies on the accounting reforms in Vietnam published in the English language, and most of them have focused on the accounting system promulgated in 1995. Nguyen and Eddie (1994) outlined in their work the process of economic reform occurring in Vietnam in the late 1970s and associated changes in the accounting system until the mid 1990s, during which time the country was transformed from a centrally-planned economy to a market-oriented economy. Their conclusion was that the Vietnamese accounting system was required to be further reformed to be in line with the country's political, social, legal, cultural and economic characteristics, as well as the needs for internationalisation of its economy.

Nguyen and Pham (1997) also conducted a study on important changes in Vietnamese accounting practices and the profession, as the country was in transition from a central planning system to a more market-oriented system, with particular focus on the new accounting system issued by the MoF in 1995. Their conclusion is that the newly-introduced accounting system represents an important step towards conformity with international accounting standards and harmonisation with ASEAN's practices.

In his study, Aleonard (1997) described the main characteristics of the Vietnamese accounting system in use at the time, with particular reference to the accounting system in the non-state sector. In addition, the legal and regulatory mechanisms required in Vietnam's progress towards a market economy were also discussed. The findings indicated that the unified accounting plan issued in 1989 was similar to the old Soviet accounting system, and that the accounting system for the non-state sector issued in 1994

and applicable to private and public firms carrying out industrial or farming activities, was inspired from the French Comptable Plan, borrowing its representation of assets and debts.

Narayan and Godden (2000) conducted a study on financial management and governance in Vietnam under a joint project of the Asian Development Bank (ADB) and the World Bank (WB) in providing technical assistance to selected developing member countries. Their study provided an overview of accounting and auditing in Vietnam, the professional infrastructure, accounting and auditing standards, training, government budgeting and accounting and donor assistance, and outlined issues and recommendations on how the financial management and governance issues in Vietnam could be improved in the late 1990s. In addition, Yang and Nguyen (2003) highlighted major similarities and differences between the US Generally Accepted Accounting Principles and the Vietnamese accounting system promulgated in 1995. Adams and Do (2003) provided a comparison of existing Vietnamese Accounting Standards with the International Accounting Standards.

Similarly, Chu (2004) conducted a doctoral study on the process of accounting change in Vietnam during the transition from a centrally-planned economy to a market-oriented economy. His findings included the difference of the mode of importation of market economic concepts and accounting into Vietnam from that of a centrally-planned economic system; a clear separation of the development of accounting methodology and regulations and accounting practice in Vietnam; the internal and external factors affecting accounting changes in Vietnam which were similar to those in Central and Eastern Europe and Russia; the important role of the socialist ideology; and the cultural influence on accounting changes in Vietnam's transition economy.

Further to their earlier study, Adams and Do (2005) provided an overview of accounting and auditing in Vietnam in comparison with international conventions and practices in accounting and auditing, including international standards on accounting and auditing until April 2005. In addition, Micheline and Nguyen (2007) conducted a study on Vietnamese accounting reforms in 1995-1996 subsequent to the economic renovation

policy commencing in the late 1986. Their research highlighted an important paradox, such as their respondents' wish to adopt international standards for the new accounting system promulgated in 1995, while preserving the specificity of the Vietnamese social-economic context.

Sarikas *et al.* (2009) noted the international influence on accounting in Vietnam, such as that from France, the Soviet Union, the USA, the European Union and China. Similarly, Chu and Sarikas (undated) provided a paper to discuss the contemporary status of the Vietnamese accounting system and to examine the influence of the cultural antecedents and the influence of China, France, Soviet Union and the US on the accounting system in Vietnam.

The following Table 2.3 summaries prior studies on Vietnamese accounting in the English language:

Table 2.3 – Summary of previous studies on Vietnamese accounting in English language

No.	Author and publication details	Title of the paper/publication	Major findings
1.	Nguyen and Eddie (1994), <i>International Journal of Business Studies</i> , Vol. 2, pp. 1-15	Reform of the accounting system in Vietnam	Their conclusion was that the Vietnamese accounting system was required to be further reformed to be in line with the country's political, social, legal, cultural and economic characteristics as well as the needs for internationalisation of its economy.
2.	Aleonard (1997), in <i>Accounting in the Asia – Pacific region</i> , Baydown, N., Nishimura, A., and Willett, R. (eds.), Singapore: John Wiley & Sons (Asia) Pte Ltd.	Systems of accounting in Vietnam	The study described the main characteristics of the Vietnamese accounting system in use at the time, described the accounting system in the non-state sector. In addition, the legal and regulatory mechanisms required in Vietnam's progress towards a market economy were also discussed.

No.	Author and publication details	Title of the paper/publication	Major findings
			<p>The findings were that the unified accounting plan issued in 1989 was similar to the old Soviet accounting system, and that the accounting system for non-state sector issued in 1994 and applicable to private and public firms carrying out industrial or farming activities was inspired from the French Comptable Plan, borrowing its representation of assets and debts.</p> <p>The conclusion suggested that concerted and complimentary action should be taken by exporting institutions such as professional bodies and organisations dealing with accounting practices.</p>
3.	Nguyen and Pham (1997), in <i>Financial reporting in the Pacific Asia region</i> , Ma, R. (ed.), Singapore: World Scientific	Vietnam	<p>They conducted a study on important changes in Vietnamese accounting practices and profession as the country was in transition from the central planning system to a more market-oriented system, with particular focus on the new accounting system issued by the MoF in 1995. Their conclusion is that the newly introduced accounting system represents an important step towards conformity with international accounting standards and harmonisation with ASEAN's practices.</p>
4.	Narayan and Godden (2000), ADB	Financial management and governance issues in Vietnam	<p>Their study provided an overview of accounting and auditing in Vietnam, the professional infrastructure, accounting and auditing</p>

No.	Author and publication details	Title of the paper/publication	Major findings
			standards, training, government budgeting and accounting, donor assistance and outlined issues and recommendations on how the financial management and governance issues in Vietnam could be improved in the late 1990s
5.	Yang and Nguyen (2003), <i>Advances in International Accounting</i> , Vol. 16, pp. 175-204	The enterprise accounting system of Vietnam and United States generally accepted accounting principles: A comparison	Major similarities and differences between the US Generally Accepted Accounting Principles and the Vietnamese accounting system promulgated in 1995 were highlighted.
6.	Adams and Do (2003), Vietnam: ACW	Vietnamese Accounting Standards: Intent and Purpose, Contrast to International Accounting Standards	A comparison of Vietnamese Accounting Standards with the International Accounting Standards.
7.	Chu (2004), unpublished PhD thesis, University of Wollongong	Accounting changes in a transition economy: the case of Vietnam	The findings included a difference of the mode of importation of market economic concepts and accounting into Vietnam from that of a centrally planned economic system; a clear separation of the development of accounting methodology and regulations and accounting practice in Vietnam; the internal and external factors affecting accounting changes in Vietnam which were the same as that in Central and Eastern Europe and Russia; the important role of the socialist ideology; and the cultural influence on accounting changes in Vietnam's transition economy.
8.	Adams and Do (2005), Hanoi:	VN GAAP and VN GAAS: Convergence	An overview of accounting and auditing in Vietnam in

No.	Author and publication details	Title of the paper/publication	Major findings
	National Political Publisher	to international accounting and auditing principles	comparison with international conventions and practices in accounting and auditing, including international standards on accounting and auditing until April 2005 was provided.
9.	Micheline and Nguyen (2007), <i>Chaire d'information financiere et organisationnelle</i> [Chair of financial and organizational information]	The new system of business accounting in Vietnam: An empirical evaluation	Their research highlighted an important paradox, for example, their respondents wish on the adoption of international standards for the new accounting system promulgated in 1995 while preserving the specificity of the Vietnamese social-economic context.
10.	Sarikas, Vu and Djatej (2009), in <i>Corporate governance in developing economies</i> , McGee, R.W. (ed.) US: Springer Science + Business Media	International influence on accountancy in Vietnam	The international influence on accounting in Vietnam, such as French, the Soviet Union, the USA, the European Union and China was noted.
11.	Chu and Sarikas (undated), working paper	Accountancy in Vietnam today	The paper discussed the contemporary status of the Vietnamese accounting system and to examine the influence of the cultural antecedents and the influence of China, France, Soviet Union and the US on the accounting system in Vietnam.

The subsequent section provides a summary of the Chapter and defines deficiency in the literature.

2.5 - Summary and defining the research gaps

This Chapter has considered previous research on the accounting profession, reviewing previous studies on the definition of profession and professionalization, and the

approaches to the study of the professions. The literature on the professionalization of accounting under different themes has also been reviewed.

It is observed that there is limited academic research published on the development of the accounting profession in Vietnam, particularly as it affects state-owned and foreign-invested enterprises, and more specifically, the influence of the State on that development. It is unclear from the existing literature on whether an accounting profession does exist in Vietnam in both legal form and practical form. It is also not readily apparent to what extent the colonial heritage influenced the development of the Vietnamese accounting profession. Therefore, this study aims to address these issues, using Vietnam as a case study, by examining the development of accounting regulation in Vietnam from French rule until 2010, with the greatest focus on the period of French rule and during the implementation of Doi Moi (or economic renovation) policy and economic integration that the Law on Accounting in 2003 supported. As such, its aim is to make a contribution to the literature on the development of accounting in developing countries. The following Chapter will discuss the theoretical and methodological framework to be used in this study.

Chapter 3: Theoretical and Methodological Framework

3.1 Introduction

The previous Chapter has provided an overview of relevant research in the existing literature on the professionalisation of accountants in various countries, grouped in different themes. This Chapter aims to justify the methodology and methods applied in this study. It specifically reviews the various theoretical and methodological frameworks which have been used in prior qualitative research concerning the concepts of a profession and professionalisation, and the interaction between the state and the accounting profession, to provide empirical support for this study on the development of accounting in Vietnam. Specifically, the theoretical and methodological framework aims to address the central research question – Is there an accounting profession in Vietnam?

The remainder of this Chapter is as follows. The next section describes theory and theorization which includes Laughlin's (1995, 2004) "middle-range" theory, and Llewellyn's (2003) five levels of theorizing and post-colonial theory. Section 3.3 explains the methodological approaches. Section 3.4 reviews the theoretical framework of prior research. Section 3.5 presents the theoretical and methodological framework of this study. Section 3.6 sets out the research questions and Section 3.7 outlines the methodology. Section 3.8 summarises the Chapter.

3.2 Theory and theorisation

The methodological approach of this study draws heavily upon the "middle-range" thinking approach in the work of Laughlin (1995) and Llewellyn (2003) on qualitative accounting research, using the case study method.

Llewellyn (2003) argues that the understanding of actions and events and the explanation of organizational structures and processes can be made by the incorporation of theory. Theory provides both a framework for critically understanding phenomena and a basis for

considering how what is unknown might be organized. Theories cannot be true or false, but only found to be more or less useful. They develop generalizations from observations and comprise an interrelated and coherent analysis of various models and concepts (Liamputtong and Ezzy, 2005; Silverman, 2005, 2006).

Glaser and Strauss (1967) noted that ‘...theory in sociology is a strategy of handling data in research, providing modes of conceptualisation for describing and explaining’ (p. 3). Collis and Hussey (2003) also observed:

A theoretical framework is a collection of theories and models from the literature which underpins a positivistic research study (p. 122).

A theory was cited by Collis and Hussey (2003, p. 122) from Kerlinger (1979) and Black (1993) as follows:

A theory is ‘a set of interrelated constructs (variables), definitions and propositions that presents a systematic view of phenomena by specifying relationships among variables with the purpose of explaining natural phenomena’ (Kerlinger, 1979, p. 64). On a more simple level, theories are ‘explanations of how things function or why events occur’ (Black, 1993, p. 25).

Theories provide an overall framework for how reality is looked at. In order to explain the reality, the concepts of ‘epistemology’ and ‘ontology’ have been introduced by scholars when doing qualitative research (Mason, 2002; Silverman, 2005, 2006; Barbour, 2008; Gaffikin, 2008). Theories of knowledge are referred to as epistemology which tells us ‘how we come to know the world and our ideas about the nature of evidence and knowledge’ (Barbour, 2008, p. 20). In other words, epistemology concerns ‘the principles and rules by which you decide whether and how social phenomena can be known and how knowledge can be demonstrated’ (Mason, 2002, p. 16). It is “usually referred to as the theory of knowledge and consists of the ‘rules’ of how and whether knowledge is acquired” (Gaffikin, 2008, p. 7). Ontology is defined as a specification of

conceptualization, which is a systematic account of existence (Gruber, 1993). Gaffikin (2008) noted that “...ontology is the theory of being, it is designed to determine the nature of the fundamental kinds of things that exist” (p. 6).

Diverse approaches in developing an understanding of accounting practice have been used by researchers who are interested in behavioural approaches leading to social and political theories in empirical research, including Foucault and other post-modernists (Laughlin, 1995). A range of intellectual “borrowing” from social and political thought has been generated from the growing interest in empirical research in understanding the nature of accounting within organizations and society. In accounting research, there are various definable schools of thought, including the quasi science of the accounting economists (cf. Watts and Zimmerman, 1986); “middle-range” thinking (Laughlin, 1995); symbolic interactionism (for example, Colville, 1981; Tomkins and Colville, 1984); ethnomethodology (for example, Berry *et al.*, 1985); structuration (for example, Macintosh and Scapens, 1990; Roberts and Scapens, 1985); Marxism and labour process theory (for example, Tinker, 1985; Armstrong, 1987; Hopper and Armstrong, 1991); German critical theory (for example, Laughlin, 1987; Arrington and Puxty, 1991; Broadbent *et al.*, 1991); and French critical theory and post-structuralism (for example, Miller and O’Leary, 1987; Arrington and Francis, 1989).

As mentioned earlier, this study draws heavily upon the “middle-range” thinking approach in the work of Laughlin (1995) and Llewellyn (2003) on qualitative accounting research, using the case study method. This is now described in the following sections.

3.2.1 Laughlin and “middle-range” theory

The concept of “middle-range” theory was brought into management and accounting research by Laughlin (1995, 2004). Laughlin (1995) observed the five part schema in the multiple nature of the social science continuum relating to ontology, human nature, nature of society, epistemology and methodology. Various approaches to empirical research were also noted by Laughlin (1995) on a position on being (ontology), the role of the investigator (human nature), perceptions of society (society), perceptions on

understanding (epistemology), and ways to investigate the world (methodology). These were labelled as “theory”, “methodology” and “change” choices by Laughlin (1995). While raising ‘the important point that undertaking any empirical study of accounting is adopting a perspective on theory, methodology and change’ (Laughlin, 1995, p. 85), Laughlin observed the description of each of these three perspectives or choices as summarized below:

Perspective/choice	Description
Theory	(a) involving the decision on a view about the nature of the world (ontology) and (b) what constitutes knowledge either past or present and how it relates to the current focus of investigation (epistemology).
Methodology	(a) involving taking a position on an amalgam of the nature of role of the observer in the discovery process (human nature), and (b) defining the nature of the discovery methods (methodology)
Change	involving taking a position on whether the investigation is intentionally geared to achieve change in the phenomena being investigated in empirical research (society)

Source: Laughlin, 1995, p. 66

Different approaches in respect of different perspectives on theory, methodology and change have been debated. They were divided by Laughlin (1995) into three positions: high, medium, and low, which were described as follows.

	Theory	Methodology	Change
High	Indicating an assumed material world which has high levels of generality and order	The observer is largely irrelevant to the observation process and hence, no individual subjectivity or bias exists	Everything is bound to be inadequate and incomplete and in need of change
Medium	In between “high” and	In between “high” and	Being more

	Theory	Methodology	Change
	“low”	“low”	strategic in attitude to change: open to maintaining certain aspects of current functioning and also open to challenging the status quo
Low	Assuming the world is not material and hence, generalities are impossible.	The individual observer is permitted and encouraged to freely involve in the observation process, and hence, the subjectivity and variability of the observer are preserved	Believing that there is little problem in maintaining the status quo.

Source: Laughlin, 1995, pp. 66-68

“Middle-range” thinking was defined by Laughlin as ‘taking a mid-point on each of the three continuums (theory, methodology and change)’ (1995, p. 78). Laughlin (1995) argued that “... from a theoretical perspective the “medium” position is arguably a more realistic depiction of the social and technical nature of accounting systems design. As is now well recognised, in both the “economics” and “behavioural” wings of accounting research, accounting practices are not some technical, context-free phenomenon.” (p. 82). Laughlin (1995) also argued that from a methodological perspective the “medium” position preserves the strengths of both the “high” and “low” positions while avoiding the weaknesses of both. The weakness of the “high” perspective on methodology is its inevitably tight theoretical definition of its “way of seeing”. Although this is a weakness where the theory being tested is far from unambiguous, the strength of the “high” perspective on methodology is its need to make public the perceptual process adopted.

The weakness of the “low” perspective on methodology is its lack of clarity. Despite, the strength of the “low” perspective on methodology is that it allows greater openness in the discovery process and also creates a closed picture concerning the rules being used in the perception process. In the “medium” perspective on methodology, the perceptual rules are made public and clear, but their nature is “skeletal”, encouraging and allowing flexibility and diversity in the discovery process (pp. 83-84). However, Laughlin did not specifically explore the application of different levels of theory to accounting research, because ‘accounting is a social practice conducted by diverse social actors’ (Laughlin, 1995, p. 83).

3.2.2 Llewellyn and five levels of theorising

Llewellyn (2003) argued that expectations about the world are generated from theories; that theories are used to negotiate people’s everyday experiences and the conceptualization of empirical data; and that the meaning and significance of social phenomena are expressed by theorizing. She observed the interdependence between theory and data in social science in that ‘...the meaning of data cannot be assessed without theory and theories cannot be validated (or discounted) in any straightforward way through “data”’ (Llewellyn, 2003, p. 667).

Five levels of theorizing available to qualitative empirical researchers were introduced by Llewellyn (2003), who explored the relationship between these theoretical levels, as summarized below.

Theoretical levels	Description
Metaphor theories	Perceived through linking the unfamiliar to the familiar, through “picturing” or “image-ing” the world to create meaning and significance
Differentiation theories	Developed through “cutting up” experience and setting up contrasts and categories that order the world to create meaning and significance
Conceptualization theories	Refined through explicating practice and linking the

Theoretical levels	Description
	subjective and objective realms of experience to create meaning and significance
Context-bound theorizing of settings	Provided an understanding of the settings for experience, creating meaning and significance through explaining relationships between phenomena
Context-free “grand” theorizing	Offered an understanding of (and explanations for) enduring structural aspects of experience, through expressing hope that the world can be changed for the better to create meaning and significance

Source: Llewellyn, 2003

Llewellyn (2003) indicates that ‘...the mainstream view of “theory” among qualitative researchers is still that it represents an observed reality and explains regularities and relationships between empirical phenomena’ (p. 699).

Conceptualization is the middle point of the five levels of theorizing introduced by Llewellyn (2003), linking the lower levels of theorization (metaphor and differentiation) to the higher levels (context-bound and context-free theorizing). This is of a similar nature as “middle-range” theory discussed by Laughlin (1995). The “middle-range” theory, or middle/middle/middle approach ‘recognises a material reality distinct from our interpretations, while at the same time does not dismiss the inevitable perceptive bias in models of understanding..., and recognizes that generalizations about reality are possible, even though not guaranteed to exit, yet maintains that these will always be “skeletal” requiring empirical detail to make them meaningful’ (Laughlin, 1995, p. 81).

Different levels of theorization and empirical issues

Level	Theory	Focus	Empirical issues
One	Metaphor theories	By imaging and grounding experience	“Micro” reasons, actions, social production
Two	Differentiation theories	By “Cutting the pie” of experience	“Micro” social processes
Three	Concepts theories	By linking agency and structure through practice	“Meso” agency-how individuals make things happen through resources
Four	Theorizing settings	Explaining how contexts for practices are organized	The social organization of relationships between individuals, organizations and environments
Five	Theorizing structures	Explaining impersonal, large scale and enduring aspects of social life	Class, gender, power relations and the distribution of resources

Source: Lelwyllyn (2003)

It is also important to acknowledge key post-colonial studies in the literature.

3.2.3 Post-colonial studies

The main protagonist of post-colonial studies, Said (1993) noted in his book that according to one of the most famous historians on empires, France's empire was no less interested than Britain's in profits, plantations, and slaves. He also observed that natives and their lands were not to be treated as entities that could be made French, but as possessions the immutable characteristics of which required separation and subservience, even though this did not rule out the mission civilisatrice. The French imperial strategies influenced a practice which closely resembled a science of ruling inferiors whose resources, lands, and destinies in charge of by the French. At best, France's relationship with Algeria, Senegal, Mauritania, Indochina was association through 'hierarchic partnership' (pp. 204-206).

Despite that profits, plantations and slaves were French imperialists' interest, the France's imperial approach in their colonies were different from that of Britain. Instead of importing the administration including accounting practice to their colonies, the case of Vietnam, being one of the French ex-colonies, indicates that the hierarchic partnership was centrally managed in France. This will be examined in detail in the next Chapter.

Lye (1998) also observes some issues of the complexities of the postcolonial situations in the literature of the colonized people and the colonizing people. Issues in the literature of the colonized include that a large part of postcolonial theory is built around the concept of otherness, which includes double-ness in both identity and difference, the oriental based Western concept and cultural diversity. Other concepts built for postcolonial theory include resistance of subversion; opposition; mimicry; the production of a national or cultural literature; nationality and identity; and hybridity, which refers to the integration of cultural signs and practices from the colonizing and colonised cultures. In the literature of the colonists, issues include the establishment of new founding national myths, the absorption of other heritages and cultures and the adaptation to use the myths, symbols and definitions of various traditions.

3.3 Methodological approaches

Llewellyn (1992) adopted Bryman (1984) definitions of methodology as the epistemological framework for the research and method as the technique for doing that research. Yin (2003) defines methodology as ‘the overall approach to the research process, from the theoretical underpinning to the collection and analysis of data’ and method as ‘the various means by which data can be collected and/or analyses’ (p. 55). Gaffikin (2008) defines methodology as “... the framework of the means for gaining knowledge” (p. 7) and explained that it investigates and evaluates methods of inquiry and hence, sets the limits of knowledge, and too often is used to indicate the methods – the techniques used to gather data and information.

Collis and Hussey (2003) classified four different types of research corresponding to its purpose, as summarized below.

Types of research	Description
Exploratory research	A conduction into a research issue when there are few or no earlier studies to which researchers cannot refer for information about the issue
Descriptive research	A description of phenomena as they exist
Analytical or explanatory research	A continuation of descriptive research where researchers not only describe the characteristics of the pertinent issues but also analyse and explain why or how it is happening
Predictive research	An expansion of explanatory research with forecast of the likelihood of a similar situation occurring elsewhere

Scapens (1990) observed the increasing use of case studies as a research method for studying management accounting practice and argued that:

Case studies offer us the possibility of understanding the nature of management accounting in practice; both in terms of the techniques, procedures, systems, etc. which are used and the way in which they are used (p.264)...It is necessary to locate practice in its historical, as well as its economics, social and organizational contexts. Case studies are particularly suitable for this type of research (p. 268).

Collis and Hussey (2003) define a case study as ‘an extensive examination of a single instance of a phenomenon of interest and an example of a phenomenological methodology’ (p. 68). Case studies are a research method associated with phenomenological methodologies. Case study research uses contextualization (Collis and Hussey, 2003). Case study is similarly defined by Gilliland and MacKemmish (2004) as ‘in-depth study of an individual situation, institution, or processes, including comparative studies’ (p. 183). The scope of a case study is defined as ‘...an empirical inquiry that

investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used' (Yin, 2003, p. 13).

There are many types of case study research:

Types of case study research	Description
Descriptive case studies	Description of current practice is the objective
Illustrative case studies	The illustration of new and possibly innovative practices developed by particular companies is the attempt to provide an illustration of what has been achieved in practice
Experimental case studies	Focus on the examination of difficulties of implementing the new procedures and techniques and the evaluation of benefits
Exploratory case studies	The production of generalizations about the reasons for particular practices is the objective
Explanatory case studies	Attempt is made to explain reasons for practices of a specific case rather than produce generalizations, and a case study that arises by chance

Source: Scapens, 1990; Otley and Berry, 1994; Collis and Hussey, 2003.

Stake (2005) observed that 'for a qualitative research community, a case study concentrates on experiential knowledge of the case and close attention to the influence of its social, political, and other contexts' (p. 444). Given the contextual orientation, interpretation and explanation sought for the research questions, a review of methodological approaches of prior research (Burchell, Clubb and Hopwood, 1985; Hopwood, 1985; Scapens, 1990; Poullaos, 1993; Xu and Xu, 2003) indicates that this study on the development of accounting in Vietnam is a descriptive case study.

Hakim (1987) noted that ‘case studies are typically based on two or more methods of data collection’ and that ‘the use of multiple sources of evidence allowed case studies to present more rounded and complete accounts of social issues and process’ (p. 63). The analysis of administrative records and other documents, in-depth interviews, larger scale structured surveys (either personal interview or postal surveys), participant and non-participant observation are included in the fieldwork for case studies (Hakim, 1987).

Archival records which often take the form of computer files and records may be relevant for many case studies. They include organizational records which provide organizational charts and budgets over a period of time; maps and charts of geographical characteristics; lists of names and other relevant items; survey data such as census records; and personal records such as diaries, calendars, and other archival records (Yin, 2003).

3.4 Theoretical framework of prior research

As noted in the preceding Chapter, using the principles of the State (hierarchical control), the Market (dispersed competition), and the Community (spontaneous solidarity) developed by Streeck and Schmitter (1985), Puxty *et al.* (1987) analysed the modes of accounting regulation in four countries, namely Germany, the UK, Sweden and the US. They examined the emergence of different strategies of accountancy regulation, such as liberalism, associationism, corporatism and legalism, depending on the relative dominance of State, Market and Community principles. Its aim is to describe these three organising principles and to illustrate the conflicts and contradictions within and between them. Beelde (2002) observed that there is no single matrix of State, Market and Community principles which are applicable to all arenas of regulation, being the conclusion from the Puxty *et al.* (1987) study. Using Vietnam as a case study, the subsequent Chapters will employ Puxty *et al.* (1987) theoretical framework to investigate whether there is existence of conflicts and/or contradictions within and between these three organizing principles.

Subsequent studies include Seal *et al.* (1996), who adopted Streeck and Schmitter (1985) work to analyse the collective mobility project of accountants and auditors in the Czech

Republic, as they attempted to possess new areas of economic activity which was brought about through the post-1989 transition of the Czech society. Drawing upon the theoretical framework by Puxty *et al.* (1987), Hao (1999) discussed the predominant role of the state in the accounting profession in China over the other two forces: the market and the community. It is observed that the studies on accounting in the Czech Republic and China provide empirical support for the theoretical framework for the study on the development of accounting in Vietnam.

It is important to note the nature of an accounting profession in Vietnam. Siegrist (1990) examined four socio-historical types of profession, namely corporate professions, state-defined professions, independent liberal self-regulated professions, and neo-corporate professions, in respect of the type of dominant control and the evaluation of status dimensions relating to professionalization. A brief description of these types of profession is summarized as follows:

Table 3.1 Types of professions

Types of profession	Brief description
Corporate professions	Belong to systems of occupational guilds, endowing their members with particular rights. Technical and professional credentials are of secondary importance
State-defined professions	Demonstrate top-to-bottom professionalisation process led by the state, and are subject to state ordinances
Self-regulated professions	Link with models of egalitarianism, entrepreneurship and bargaining with other social and political forces over the issues of rank
Neo-corporate professions	Enter into bargaining processes with the state and supervised professional activities

Source: Siegrist, 1990; Beelde, 2002

In his study, Walker (1991) investigated and acknowledged the role of the government and its rethinking of profession through recognition and legitimation. Nobes (1998) argued that the relative strength of the equity market and the degree of cultural dominance in respect of colonial inheritance and invasion would be sufficient to discriminate between types of accounting systems. He also acknowledged that the nature of the political systems and the stage of economic development might well be relevant for a broader study. Subsequently, strong political influence on accounting at national and enterprises levels in civil law countries was emphasised by Ball, Kothari and Robin (2000) in their study.

Yee (2009) used Gramsci's concept of hegemony as the theoretical framework to study the influence of the state on the professionalization process of the public accounting profession in China, by exploring how the political ideology of the Chinese leaders is reflected in the development of the profession. She also noted some of the important concepts in Gramsci's theory, such as the state (in two basic forms: hegemony and domination), and the power which is intertwined with both civil society and the state. She found that an important dimension in Gramsci's concept of hegemony was the term ideology, which was defined by Hall (1983) as the mental frameworks influencing how individuals construct their subjectivity and enabling them to understand the world around them. She argued that ideology acts as the cement which binds together a bloc of diverse social forces from within, thereby enabling a hegemonic class to maintain its dominance and leadership (Yee, 2009).

Vietnam is a country where economic developments have been accompanied by significant changes in political attitudes, within a framework of strong governmental control. Therefore, this model of the development of the accounting profession, which is controlled by the state such as in China, aligns with the models of the development of the accounting profession in Vietnam, where the state plays an active and dominant role in the development of the profession. It is also noted that Marxism – Leninism and Ho Chi Minh ideology has been adopted by the VCP as its ideological basis, and that the VCP retains its power monopoly (<http://www.cpv.org.vn/cpv/index.html>, accessed 23 March

2011). Ho Chi Minh ideology is the result of the adaption and development of Marxism-Leninism into specific conditions in Vietnam by Ho Chi Minh himself (http://en.wikipedia.org/wiki/Ho_Chi_Minh_Ideology, accessed 23 March 2011).

In this study, the accounting profession in Vietnam is a state-controlled profession, which is described by Siegrist (1990) as the one demonstrating a top-to-bottom development led by the state and is subject to state ordinances.

3.5 Theoretical and methodological framework

As noted in the preceding Chapter, there is limited academic research published on the professionalization of accounting Vietnam and the role of the state on that process. The examination of the development of accounting in Vietnam draws upon the theoretical framework developed by Puxty *et al.* (1987), which recognizes the state, market and community organizing principles. Its aim is to examine the regulation and organization of accounting in Vietnam, to determine how they differed from Western countries and to other ex-colonies including Asian countries.

The Puxty *et al.* (1987) organizing principles on the state, market and community is seen to be an appropriate theoretical framework to understand the professionalization of accounting in Vietnam because of three reasons. First, as Puxty *et al.* (1987) argued, ‘...the institution and processes of accounting regulation in different nation-states cannot be understood independently of the historical and politico-economic contexts of their emergence and development’ (p. 275). This argument is applicable to the case of Vietnam, as ‘the history of the development of accounting in Vietnam correlates with the accounting practices of other countries, which, over the years, have formed strongly military, social or trade links with Vietnam (Narayan and Godden, 2000, p. 9).

Second, Puxty *et al.* noted the intertwining of the three competing, but complementary and organizing principles – State, Market, and Community– when analyzing accounting regulation ‘as a social and organizational phenomenon’ (1987, p. 275). Therefore, Puxty

et al. (1987) provides a suitable basis for discussion of the forces of State, Market and Community on the development of accounting in Vietnam.

Finally, the adoption of the Puxty *et al.* (1987) model for the study will allow comparison with other studies in advanced capitalist countries and in other socialist countries. The following Table 3.2 provides an overview of the definition of the three organizing principles in Puxty *et al.* (1987) work and in this study:

Table 3.2 – Definition of the three organizing principles in Puxty *et al.* (1987) work and in this study

Organising principles	Puxty <i>et al.</i> (1987) work	This study on Vietnam
The State (hierarchical control)	the authority of hierarchical control, as operationalised by career civil servants for example, which is vested in agreed rules and procedures backed up by the state's monopoly of legitimate coercion	represents agencies of the government, with authority to decree the practices that accountants must follow and to maintain an enforcement mechanism.
The Market (dispersed competition)	generates both economic entrepreneurs who maximise profits and consumers who are satisfied with the material benefits derived from competition	deals with the regulation of accounting work and services by stakeholders. In different periods of time, stakeholders could be the State, the market and the accounting community.
The Accounting Community (spontaneous solidarity)	leaders are described as enjoying the esteem of followers who themselves benefit from the sense of belonging	is the one to which accountants and key players in the accounting community, such as the MoF, feel they belong, sharing some common identity and values

As also discussed in the preceding Chapter, in many Western countries, the professional bodies promote the accounting profession and are self-regulated, autonomous and have self-control separate from the state. However, similar to China, the development of accounting in Vietnam is strongly influenced by the state. Most Western countries follow the common law system which was spread around the world through conquest, imperialism, or adoption. Accounting rules in most common law countries are established by private sector professional organizations. Vietnam follows the civil law system, inherited from the French. Having the characteristics of civil law countries, accounting rules are incorporated into national laws and tend to be highly descriptive and procedural (Choi and Meek, 2011). This will be discussed in detail in the subsequent Chapters.

The duration of the study covers the period from the mid 19th century to 2010, with particular emphasis on the time from when Vietnam determined to implement the open-door policy and economic renovation program and move towards a market economy as a result of the Sixth Congress of the Communist Party of Vietnam in 1986. This has impacted on the establishment and development of the accounting profession in Vietnam.

3.6 Research questions

Silverman (2005, p. 107) noted that ‘research questions are inevitably theoretically informed’. Social theories are needed to help address basic issues in social research. As such, the research questions for this study, based on a review of the literature, are as follows:

1. How have external factors, such as the influence of the French, the United States, the Chinese and the Soviet Union, contributed to the development of the accounting profession in Vietnam?
2. How has the internal environment in Vietnam, including the impact of political and economic policies, contributed to the development of the accounting profession in Vietnam?

3. What is the predominant model of the accounting profession in Vietnam in 2010?

The following section will describe the methods used in this study to address these research questions.

3.7 Methods

Gaffikin (2008) describes methods as “...the techniques used to gather data and information” (p. 7). The following section describes the methods used in this study.

The first stage of this study was a review of the existing literature on the professionalisation process of accounting, with emphasise on some relevant papers, grouped in different themes.

Stage two involves the conduct of archive-based study in libraries of the National Archival Centre in Vietnam and Texas Tech University in the US. The purpose is to provide a deeper understanding of the history and the factors underpinning the development of accounting in Vietnam, influenced by the state and corresponding with the country’s social and economic development. The archival-based study forms a major part of the research. Some relevant archival records can be found in the appendices.

The third stage of the research consists of the development of a case study in order to examine the development of accounting in Vietnam through the examination of archival records, semi-structured interviews, and secondary resources.

The next question is how the data will be validated. The use of multiple sources is referred to as methodological triangulation (Denzin, 1978a, 1978b). Stake (2005) noted that the credibility of a case study is gained by ‘thoroughly triangulating the descriptions and interpretations, not just in a single step but continuously throughout the period of study’ (pp. 434-444). Therefore, the triangulation approach is employed for data

collection and validation to examine the development of accounting in Vietnam. Edmonson and Irby (2008) noted Krefting's (1991) brief explanation on triangulation as a cross checking of data, sources and interpretation in establishing trustworthiness in truth value, applicability, consistency and neutrality or confirm-ability. Stake (2005) also observed:

Triangulation has been generally considered a process of using multiple perceptions to clarify meaning, verifying the repeatability of an observation or interpretation (p. 454).

Types of triangulation defined by Denzin (1978a, 1978b) and Easterby-Smith, Thorpe and Lowe (1991) included the following:

Table 3.3 – Types of triangulation

Types of triangulation	Brief description
Data triangulation	Data is collected at different times or from different sources in the study of a phenomenon and both micro-level and macro-level perspectives are covered
Investigator triangulation	Data on the same phenomenon is collected independently by different researchers and results are compared to get round the potential bias that comes from the reliance on a single researcher
Methodological triangulation	Both quantitative and qualitative methods of data collection are used
Triangulation of theories (or theoretical triangulation)	A theory is taken from one discipline (i.e. marketing) and used to explain a phenomenon in another discipline (i.e. accounting)
Multiple triangulation (recommended by Denzin only)	The simultaneous combination of multiple researchers, multiple studies, multiple sources of data and multiple theoretical perspective

Source: Denzin, 1978a, 1978b; Easterby-Smith *et al.*, 1991

The data triangulation approach is used for this study because of the availability of a variety of reliable English language sources in libraries in Australia and Vietnamese data sources, in either print form maintained in the National Archival Centre of Vietnam or electronically as part of the e-government program being conducted in Vietnam; the commitments of Vietnamese stakeholders to supporting the development of accounting in Vietnam; and the academic research on Vietnamese accounting.

Archival records and data analysis

The National Archival Centre of Vietnam was used as the main source to conduct the archive-based research. However, it is noted that most of the French colonial administration records and documents during the French domination from 1858 to 1945 and records produced by the French-backed administrations in North Vietnam between 1945 and 1954, were transferred to France under an agreement signed between the then Vietnamese government and the French government.

All archival records found in the National Archival Centre in Vietnam for this study were in hardcopy only. Government documents, legislation and official reports in electronic form were also found from the web portal of the Government of Vietnam, and are all in the Vietnamese language.

The examination of archival records and documents included the analysis of government documents, reports and legislation. A majority of the archival documents in Vietnam are in the Vietnamese language, and an English translation of relevant records was provided by the researcher for analysis. Records from French colonial rule are in French and were summarized and translated into English by the researcher for this study. Archived materials which have been collected in Vietnam include:

(a) government budget reports and documents during French colonial rule, in French language;

- (b) government budget reports and documents during the American regime in South Vietnam before 1975, in Vietnamese language;
- (c) government reports, regulations and documents, mainly issued by the MoF, relating to accounting/book-keeping and regulations, from 1948 to present, in Vietnamese language; and
- (d) other government documents, reports and legislation in electronic form from the website of the MoF and the Government, in Vietnamese language.

Data collected from the archival records was firstly validated by semi-structured interviews with key government officials, mainly from the MoF, who have been involved in the decision-making processes and/or played a key role in the development of accounting. Also interviewed were senior officials in Vietnam, who may have since retired from public life. A bilingual semi-structured questionnaire was developed for the study. Some key questions for archival and oral history interviews can be found in the **Appendix 1**. The questions for archival research aimed to find relevant data to address the research questions.

Interviews and data analysis

To facilitate the researcher in dealing with various ministries, institutions and professional organisations in Vietnam, an introduction letter from RMIT University (Australia) stating the purpose and benefit of the research program and meeting the ethical guidelines for research of RMIT University, was issued in both English and Vietnamese. The introduction letter was sent to the participants and follow-up phone calls were made to seek their consent to participate in the research and to organize a time for an interview. A copy of the introduction letter is attached in the **Appendix 2**.

The interviews were on average of about 30 – 45 minutes with each participant, and took place in the participants' work office, or at their residence. Notes were taken during the interviews and a tape recording was made with prior permission given by the participants. The semi-structured interviews were taped and transcribed firstly in Vietnamese and sent

to the interviewees for review and modification if required, before being translated into English by the researcher and then subjected to analysis. The interviews in English with participants from international accounting bodies were also taped, transcribed and sent to the interviewees for review before being used for analysis.

The oral history interview is particularly important to understand accounting practice under French rule and in Vietnam before 1975, as only a few participants were able to participate in the research. In addition, original data can be obtained from the oral interview which will be of great significance for this historical study on accounting in Vietnam. This method has been used by other researchers such as Sian (2006). The limitations of interviews such as the misleading of the response by the researcher or issues being forgot to be mentioned represent a threat to the validity and reliability of the study – in order to reduce such threats, triangulation was performed.

In her key role when RMIT University (Australia) was in the process of applying for an investment licence from the Vietnamese Government to establish and operate a campus in Vietnam – RMIT International University Vietnam (RMIT Vietnam) – in the late 1990s and during the start-up period of RMIT Vietnam in subsequent years, the researcher developed a good network with government officials at the central and local levels in Vietnam, including with the MoF and the MPI. Through this network, key interviewees were identified and approached.

Criteria for selection and inclusion of interviewees were generally that they would have been working in the Vietnamese environment for a number of years and were or are, to some extent, involved in the development of the Vietnamese accounting profession. Key interviewees, therefore, included senior officials of the Vietnam Association of Accountants and Auditors (VAA) and Vietnam Association of Certified Public Accountants (VACPA), senior officials of the MoF, officials of the MPI, and representatives of international professional bodies established and operating in Vietnam. The following Table 3.4 shows the nature of respondents:

Table 3.4: Groups of Respondents

No.	Groups of respondents	Number of Respondents
1.	Senior officials of MoF	2
2	Senior officials of VAA and VACPA	3
3	Senior officials of MPI	2
4	Representatives of international accounting bodies (ACCA and CPA Australia)	4
5	Representative of the Big Four	1
6	Representatives of a fully foreign-owned university in Vietnam	2
7	Representative of a FIE in Vietnam	1
8	Representative of the National Archival Centre in Vietnam	1
9	Other categories (eg.official of the Ministry of Education and accountants before 1975)	3
	Total	19

There was one respondent indicating that he had forgotten everything about accounting in Vietnam before 1975. One respondent initially agreed to participate in the research but then rejected politely, due to a tight schedule and other commitments.

Data Analysis

The data analysis was conducted manually, by finding relevant themes from the literature and grouping them into concepts. In this aspect, the literature review on professionalization of accounting is helpful. The specific nature of Vietnam as a socialist country has also been taken into account when identifying themes for data analysis. Through practice, the conceptualization is formed and explained in the context of Vietnam.

The literature suggests some techniques to enhance the validity and reliability of case study research regarding the confirmability, credibility, transferability and dependability. According to Riege (2003), confirmability is to assess whether the interpretation of data is drawn in a logical and unprejudiced manner when incorporating individual subjectivity or the respondents. Credibility is the parallel construct to internal validity. It involves the approval of research findings by either interviewees or peers as realities may be interpreted in multiple ways, in order to ensure credibility of the carried out inquiry. Transferability aims to achieve analytical generalization. Dependability involves checking the consistency of the procedures or techniques used in the study.

As noted earlier in this Chapter, triangulation was conceived by Denzin (1978a, 1978b) as a strategy of validation. Later on, Flick (1992) noted that Fielding and Fielding (1986) and Denzin (1989) saw triangulation as a “method-appropriate” strategy of credibility founding of qualitative data. Golafshani (2003) agreed by indicating that triangulation helped improve the validity and reliability of research or evaluation of findings. Confirmability and validity may be enhanced by using multiple sources of evidence in the data collection phase such as the triangulation of interview tapes, notes, documents and others to protect researchers from bias (Flick, 1992; Riege, 2003).

According to Robson (1993), the credibility of this research is achieved by the use of peer debriefing techniques such as presenting the data analysis, research findings and conclusions to supervisors and to colleagues at the RMIT School of Accounting at research seminars, workshops and meetings on regular basis during the data analysis stage. The transferability suggested by Miles and Huberman (1994) is by the use of cross-case, and where appropriate, cross-nation analysis in the data analysis stage of the research.

The dependability is achieved by the examination whether the processes followed in the inquiry are in order, understandable, well documented (Riege, 2003). The dependability of this study is established by the approval of candidature confirmation at RMIT

University on the researcher's presentation, the preparation of two conference papers and the acceptance of both papers for presentation at parallel sessions of the 34th Annual Congress of the European Accounting Association in Rome in April 2011 and the 2011 Conference of the Accounting and Finance Association of Australia and New Zealand in Darwin in July 2011. A copy of these papers can be found in **Appendices 13 and 14**.

The researcher was fortunate that all interviewees allowed her to use a tape recorder to record the interviews. This was a great help for preparing the transcription later on, apart from the notes she made during the interviews. Data from the interviews was then selected and extracted from the transcripts for analysis. In this study, the interview data was classified by their relevance to the research questions. In other words, they were grouped by research questions for further analysis.

The second approach to validate data is through examination of newspapers, academic articles and other official reports in Vietnam, including those published by the Vietnamese agencies and professional associations in Vietnam. Figure 3.1 below shows the triangulation approach adopted for this study to validate collected data.

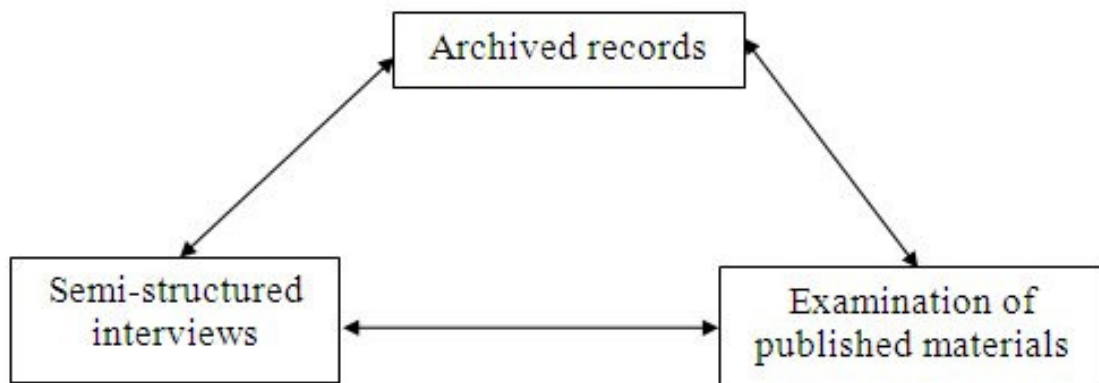


Figure 3.1 – Triangulation approach for data collection

The triangulation approach is also to reduce threats that respondents forget to mention issues. In addition, the examination and analysis of the archival records helps understand the development of accounting in Vietnam which will be discussed in the next Chapters.

3.8 Summary

This Chapter has provided a justification for the methodology and methods employed in this study, by specifically reviewing various theoretical and methodological frameworks which have been used in prior qualitative research concerning the concepts of a profession and professionalisation, and the interaction between the state and the accounting profession, with particular reference to accounting in state-owned and foreign-invested enterprises..

This study draws heavily upon the methodological approach in the work of Laughlin (1995) and Llewellyn (2003) on “middle-range” thinking approach on qualitative accounting research, using the case study method. The examination of the development of accounting in Vietnam is explanatory research, using a descriptive case study approach, and drawing upon the theoretical framework developed by Puxty *et al.* (1987), which recognizes the State, Market and Community principles. Using archival records, oral history, semi-structured interviews and the examination of published materials, the triangulation approach defined and explained by Denzin (1978a, 1978b) and Krefting (1991) is employed for data collection and validation in this study.

Chapter 4 The development of accounting prior to 1986

4.1 Introduction

Accounting is a product of its environment, and a particular environment is unique to its time and locality (Perera, 1975, p. 86).

The argument that accounting is a product of an environment in which it operates was initiated in the work of Mueller (1965, 1967, 1968). To help understand the development of the accounting profession in Vietnam, it is important to understand the political and economic environment within which accounting has developed.

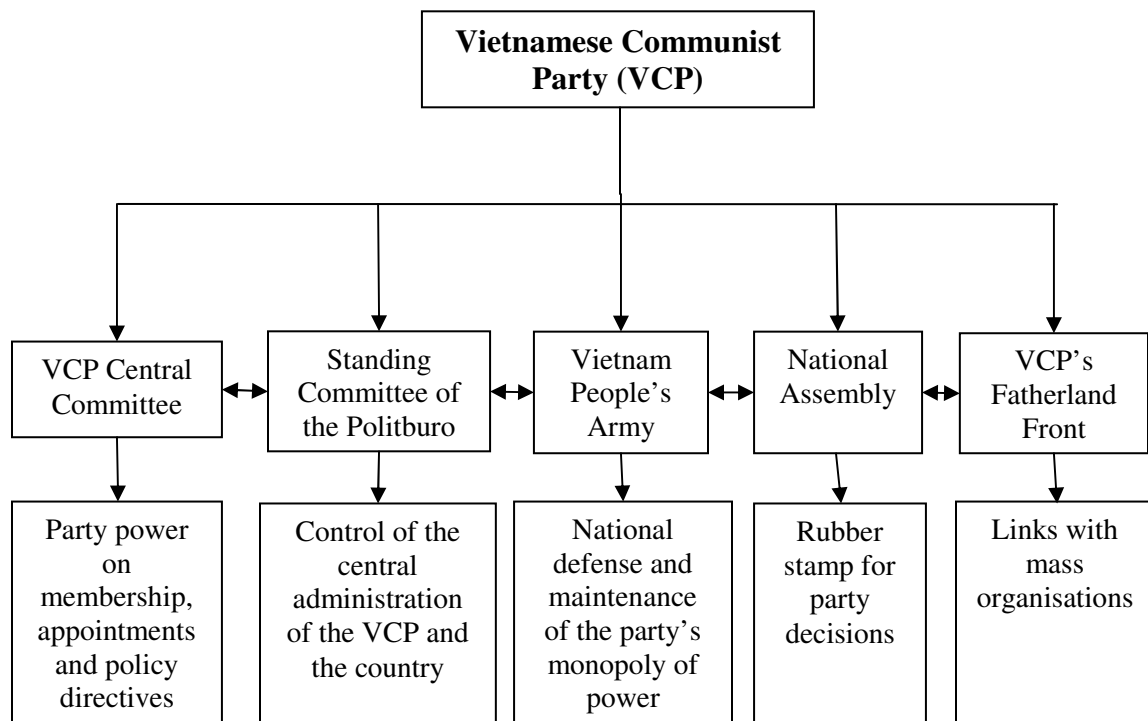
This Chapter is organized as follows. The next section depicts an historical background of the political context and outlines the three periods to be examined in this Chapter. Section 4.3 examines the development of accounting in period 1 from the French domination in 1858 until 1945. Section 4.4 investigates period 2, which is from 1945 – 1975 in the socialist North Vietnam – Democratic Republic of Vietnam (DRV) and capitalist South Vietnam – Republic of Vietnam (RVN). Section 4.5 describes period 3 from 1975 – 1985 of the Socialist Republic of Vietnam (SRV). Section 4.6 provides a summary of the Chapter.

4.2 The historical background

Vietnam is a one-party state. Thayer (1991) and Abuza (2001) noted that the political system in Vietnam, embracing *inter alia* the state bureaucracy, government administration, large organisations and special interest groups, is dominated by a single mono-organisational structure, the VCP, deciding on all economic and political decision-making issues. Party dominance over society is maintained by the Party's horizontal and vertical penetration of nearly all organisations and structures in the society. Thayer (1991) also observed that the Vietnamese political system was extremely hierarchical in nature.

Socialist Marxist – Leninist principles have governed the Vietnamese for over 30 years. Compared to Western countries, the Vietnamese government plays a much more dominant role in society. Similar to the Chinese, the Vietnamese leaders endeavour to maintain a socialist ideal, believing that a socialist Vietnam will bring prosperity for all the Vietnamese. The Vietnamese key political institutions before the 1992 Constitution included the Central Committee of the VCP, a Standing Committee of the Politburo, the Vietnam People’s Army (VPA), the National Assembly and the VCP’s Fatherland Front (Abuza, 2001). The Vietnamese system gives the National Assembly a fundamental role in passing laws and monitoring and reviewing the executive’s work in specific areas chosen by the National Assembly (Koh, 2004). The following Figure 4.1 provides a summary of the Vietnamese political institutions and their main responsibilities:

Figure 4.1 – Summary of the Vietnamese political institutions (before the 1992 Constitution)



Source: Abuza (2001), Koh (2004)

These five state political institutions are consolidated powerful forces of the party, which rules the country and directs the nation's accounting activities. The VCP controls membership and centrally holds decision-making power, and is the leading influence (Koh, 2004).

Narayan and Godden (2000) have observed the correlation between the history of the development of accounting in Vietnam and the accounting practices of countries, which, over the years, have established strong military, social or trade links with Vietnam. Sharing a similar observation, Adams and Do (2003) summarized that:

The history of accounting development in Vietnam parallels the economic and political history of the country. The Vietnamese Accounting System was inherited from the French. The system continued even after the colonial period ended in 1954. In the 1960s, Vietnam joined the communist community and imported its accounting from communist countries, particularly the former Soviet Union and China. In the 1980s, with the introduction of "Doi Moi", Vietnam's accounting system became influenced by Western countries (p. 9).

The following section will provide a brief historical review of the development of accounting in Vietnam, particularly the role of the state on that development (in the period prior to 1986), to provide a background understanding of the status of accounting development prior to political and economic reforms. Based on primary and secondary data collected through archival records and semi-structured interviews, the examination of the development of accounting in Vietnam is divided into three periods:

- From the French domination in 1858 until 1945, when French colonial rule in Vietnam ended (French influence).
- From 1945 – 1975, including the war years, a key period when the country was divided into two parts with different political and economic conditions – socialism in North Vietnam (1954 – 1975) (Chinese and Soviet influences) and capitalism in South Vietnam (1954 – 1975) (the American influence).

- From 1975 – 1985, the 10 years since the country’s political independence and adoption of a centrally-planned economic system (Soviet influence).

These three periods will now be examined from a political and economic perspective accompanying the major accounting directives issued during this time. An overview of general education during French rule and professional accounting training from 1945 – 1975 will also be included in this Chapter.

As mentioned in the preceding Chapter, the Puxty *et al.* (1987) theoretical perspective, using the forces of State, Market and Community, is employed to analyse the primary and secondary materials in the following section of this Chapter. Where possible, triangulation will be used to validate information collected from the interviews, archival records and secondary materials.

4.3 Period 1: French domination 1858 – 1945

4.3.1 The political and economic context

Colonialism is defined by Said (1993, p. 8) as “...the implanting of settlements on distant territory”. The country was a French colony for over eighty years from the mid 19th century and, given its colonial history, it would be reasonable to expect that the French would have contributed to initiating the establishment and development of an accounting profession in Vietnam. However, this proved not to be the case. The development of accounting in Vietnam in the colonial and post-colonial periods was not established by the French during their domination, but rather by the independent Vietnamese Government to serve the needs of the post-war economy for building socialism.

During the colonial period, the country was divided by the French into three parts with different political systems, as summarized in the following Table 4.1:

Table 4.1 – Vietnam under French rule

Geographical location	Name under French rule	Political system
North Vietnam (capital in Hanoi)	Tonkin	French semi-protectorate
Central Vietnam (capital in Hue)	Annam	French protectorate
South Vietnam (capital in Saigon)	Cochinchina	French colonial rule

Source: Prush, 1975; Duong, 1978; Duiker, 1983; Corfield, 2008

The capital investment of the French in Vietnam was to build plantations of coffee, tea, rubber, rice, sugar cane and cotton for export. High priority was given by the French to develop infrastructure (eg. railways, roads and public building). Other products for export in this period included marine and forest products, coal and other minerals. French companies, especially rubber companies, made fortunes from their ventures in Indochina (Tran, 1993; Beresford and Dang, 2000; Warner, 2001; Corfield, 2008).

Duiker (1983) argued that, to justify their presence, the French attempted to demonstrate that the colonial rule brought about economic and social benefits. Such benefits were reflected by creating a modernised commercial and manufacturing sector, improving transport and communications, and improving the local standard of living in the colony. Most of the activity in the colony in Vietnam was in the area of light industry such as textiles, paper and food processing. However, in reality, such objectives frequently contradicted the economic priorities of the ruling power – the French – and its citizens, as Duiker (1983) further observed:

The French did not encourage the development of an indigenous commercial and manufacturing sector. To the contrary, commerce and manufacturing in colonial Vietnam tended to be dominated by European interests or by foreign immigrants such as the Chinese and Indians. Moreover, [French] government policy

attempted to discourage the development of local industries that might compete with French goods by a tariff policy that encouraged French imports. In effect, Vietnam was forced to undergo the painful stresses of agricultural modernization without the benefit of rapid industrial growth in the cities (p. 33).

Therefore, the Vietnamese economy during French rule was not developed in a positive manner. In fact, it was a backward agricultural economy, entirely dependent on the so-called Metropolitan France (Tran, 1996). This was because economic exploitation was arguably the main purpose of the French strategic interests in Asia. It was also the primary purpose of colonialism to simply achieve economic gains and thus exploit the natural resources of the colony, to open up new markets for the manufactured goods of the home country, and to provide financial profit to the home country and to its citizens operating in Indochina (Duiker, 1983; Kolko, 1985; McLeod, 1991; Tran, 1996; Tonnesson, 2000). In this regard, France's interest was not different from that of Britain (Said, 1993).

4.3.2 Education policy under French rule

In this political and economic context, Nguyen *et al.* (1996) observed that education in Vietnam was developed as a tool by the French colonialists to enhance their colonial exploitation. Facing major difficulties in communicating with the Vietnamese people, they provided French language training to enable the Vietnamese people to become interpreters, clerks and other low-class workers to serve their interests. In addition, quoc-ngu (*national script*) – which is the Vietnamese language today – was also introduced to Vietnam by the French to eliminate Chinese characters being used by the Vietnamese at the time (Osborne, 1969; Duong, 1978; Vu, 1985; Phan, 1994; Ashwill and Thai, 2005).

An interviewee who worked in one of the Big Four firms in Vietnam and who is a senior official of the Vietnam Association of Accountants and Auditors (VAA) stated that:

During their rule in Vietnam, the French did not encourage or promote general education to the Vietnamese. Their main objective was to only train interpreters to serve the French colonial administration in Vietnam (Interviewee 16).

Vu (1985) summarised a salient characteristic of the organisation of education during the period of the French domination – that is, education was restricted in many ways. To name a few, training was limited; many examinations were set that discouraged the Vietnamese people from pursuing further studies; teaching was conducted in the French language; and vocational training and university education were kept to a minimum. Education was ‘completely controlled by the French colonists’ (Ministry of Education and Training, 1995, p. 13).

In explaining the French neglect of education, Short (1989) observed that the French, for a long time, feared that educated Vietnamese would rise up against their French masters, and hence their education was certainly not encouraged. Duong (1978, p. 101) noted that ‘the educational system in Vietnam [during French rule] was never designed primarily for the economic development of the country’. This is because ‘...the main purpose of education was to create a tiny elite of Vietnamese who could assist in the administration of their own country as a French colony’ (Ashwill and Thai, 2005, p. 34). This resulted in the high illiteracy rate of over ninety percent of the population in Vietnam during French rule (Tran, 1996).

4.3.3 Accounting practice under French rule

As evidence suggests, there was little need for the French administration to set up and develop indigenous accounting in Vietnam for two reasons. Firstly, as a result of the colonial exploitation policy, the plantation economy they sought to promote in Vietnam did not give rise to accounting issues nor engage the local community with complicated investment choices. As Kahin and Lewis (1969) noted:

French rule of the Vietnamese was strongly authoritarian and widely pervasive, more Western personnel being used at lower administrative levels than in any other Southeast Asian colony. By 1930 there were approximately as many French civil servants administering Vietnam as there were British colonial officials in India, where the population was at least twelve times as large (p. 9).

The administration of the Indochinese Union included a governor-general who was appointed from Paris to make policy for the entire region, assisted by resident superiors in each of the five protectoral territories and a governor in Cochinchina. The French controlled all the important services in each of the five Indochinese “countries”, namely Tonkin, Annam, Cochinchina, Cambodia and Laos, including security, finance, public works, postal services, agriculture, public health, and trade (Nguyen, 1975; Duiker, 1983).

Nguyen (1985) briefly described how the policy implementation process was undertaken in the French colony:

Policy, laid down in Paris by ministerial decrees, was implemented in Vietnam by the French bureaucracy, which extended downward from the governor-general, the residents’ superiors and the governors of Cochinchina to a network of lesser officials (p. 151).

This indicates the hierarchic partnership, noted by Said (1993), by the French to their colonies.

This leads to the second reason. The first Western accounting system – French accounting – was imported into Vietnam in the mid 19th century by the French to primarily support their colonial administration (Adams and Do, 2005). By the introduction of the Commercial Code in 1807 – one of the French codes of Napoleon’s era – reference was made to a balance sheet and a schedule of a profit and loss account. The Commercial Code in 1807 was based on the Savary Code issued in 1673 and required all merchants to have the obligation of maintaining accounting books for accounts and a central ledger. However, the code was silent as to how the books and accounts should be maintained (Lemarchand and Parker, 1996; Wittsiepe, 2007).

A former senior official of the MoF, who is also a member of the National Assembly of Vietnam, recalled that:

According to documents of the former Saigon government, the French accounting model had been used since the monarchy of the Republic of France. It was then amended to become the law in 1939 and subsequently applicable in the entire Indochina. It was mainly budget accounting (Interviewee 2).

An interviewee who was an accountant in a Vietnamese company in Saigon before 1975 also recalled:

...The accounting system used in Saigon before 1975 followed French accounting (Interviewee 19).

As the French ‘dominated the major positions in the colonial bureaucracy and in commerce’ (DeFronzo, 2007, p. 142), there was little demand for Vietnamese accountants. An interviewee observed that:

During the colonial rule, the bookkeeping and accounting in a majority of French businesses in Vietnam was directly handled by the French, using the French accounting system... To assist them in detailed bookkeeping, the French trained those Vietnamese who worked for them in the company on how to write numbers neatly and tidily to be able to do sums easily and accurately (Interviewee 16).

This is consistent with a note from archival material that reported:

The Sureté was first created in Vietnam by the French about 70 years ago. From the date of its creation until March 1945, all important command positions were held by Frenchmen. Regardless of experience or training, the Vietnamese employees of the Sureté were never considered to be more than auxiliaries... During the period 1918 – 1939, the total strength of the Sureté was increased from about 600 to close to 5,000 people – these figures included all of Indochina. Of the 5,000 personnel, approximately 80% (4,000) were Vietnamese, all of whom were operational or administrative service personnel in the lower ranks. About 7% (350) were French from Metropolitan France. These people held all of the

high command positions in the Sureté in all of Indochina (Archival records 29, 1956, pp. 1-3).

Osborne (1969) elaborated that:

All aspects of regional administration were placed in the hands of French inspectors of native affairs, and henceforth Vietnamese occupied auxiliary positions only. These inspectors, each responsible for about twenty thousand persons, dealt with matters of civil administration such as taxation, rendered notice, and supervised the activities of the Vietnamese employed by the French administration (p. 75).

The above evidence suggests that accounting work was directly managed and controlled by the French and that the French used accounting records to centrally control revenues and expenditures of the colony, from a distance, with strict control exercised by the central authorities in France (Bizet, 2002). Mikol (1993) observed that “...the French state has always provided itself with effective means of control” (p. 12). Generally, an annual budget was used as a means to control the colony operations from a distance (Alam *et al.*, 2004).

The following excerpt of the Report on the Financial Situation in Indochina was found in the archival records in Vietnam:

SITUATION FINANCIERE

DE

L'INDOCHINE

-:-:-:-

ETATS annexés à la lettre N°715-F du 3 Mai 1923.

SERIE I

SERIE I
Etat N° I

BUDGET GENERAL

RELEVÉ des recettes et des dépenses du Budget Général de 1913 à 1923.

ANNÉES	RECETTES		RECETTES totales	DEPENSES		DEPENSES totales	Subventions, contri- butions ou ristournes fournies aux budgets locaux par le Budget Général.
	ordinaires	extraordi- naires		ordinaires	extraordi- naires		
	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres
1913 (Compte ad. (1))	40.582.787,00	29.487,36	40.612.274,36	33.732.778,95	2.887,36	33.735.666,31	2.122.000,00
1914 -	42.022.242,88	902.214,11	42.924.456,99	33.642.294,21	472.764,14	34.115.058,35	2.750.000,00
1915 -	42.122.642,41	2.736.830,30	44.859.472,71	33.387.060,22	7.975.822,13	41.362.882,35	2.821.000,00
1916 -	38.362.900,10	2.203.930,52	40.566.830,62	32.487.730,29	2.471.707,36	34.959.437,65	2.022.612,00
1917 -	42.242.002,76	2.227.122,62	44.469.125,38	32.482.240,33	2.412.612,22	34.894.852,55	2.674.570,00
1918 -	42.242.412,25	2.224.224,25	44.466.636,50	32.160.225,55	12.752.572,75	44.912.798,30	2.012.121,00
1919 -	42.222.222,22	2.212.212,22	44.434.434,44	32.222.222,22	2.212.212,22	34.434.434,44	2.212.212,00
1920 -	42.222.222,22	2.212.212,22	44.434.434,44	32.222.222,22	2.212.212,22	34.434.434,44	2.212.212,00
1921 -	42.222.222,22	2.212.212,22	44.434.434,44	32.222.222,22	2.212.212,22	34.434.434,44	2.212.212,00
1922 (1) -	42.222.222,22	2.212.212,22	44.434.434,44	32.222.222,22	2.212.212,22	34.434.434,44	2.212.212,00
1923 (Budget)	42.222.222,22	2.212.212,22	44.434.434,44	32.222.222,22	2.212.212,22	34.434.434,44	2.212.212,00

(1) dont 7.074.222,22 prélevées sur les fonds de réserve.
(2) dont 2.212.212,22 prélevées sur les fonds de réserve et 10.000.000,00: 1° acompte sur les bénéfices du Compte Spécial.
(3) dont 2.212.212,22 prélevées sur les fonds de réserve et 2.212.000,00: 1° acompte sur les bénéfices du Compte Spécial.

SERIE I
Etat N° 4

COCHINCHINE

RELEVÉ des recettes et des dépenses du Budget local de la Cochinchine de 1913 à 1923.

ANNÉES	RECETTES		RECETTES totales	DEPENSES		DEPENSES totales	Subventions, contri- butions ou ristournes fournies par le Budget Général
	ordinaires	extraordi- naires		ordinaires	extraordi- naires		
	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres
1913 (Compte ad. (1))	7.339.474,57	"	7.339.474,57	6.836.080,62	"	6.836.080,62	1.465.000,00
1914 -	8.052.744,23	552.000,00	8.604.744,23	7.362.536,30	551.403,99	7.913.940,29	1.685.000,00
1915 -	7.784.994,83	552.923,07	8.337.917,90	6.732.573,73	479.803,14	7.212.376,87	1.623.000,00
1916 -	8.559.521,82	65.573,77	8.625.095,59	7.422.908,39	65.573,77	7.488.482,16	2.211.800,00
1917 -	8.577.625,17	291.282,05	8.868.907,22	6.792.148,89	281.611,69	7.073.760,58	1.820.570,00
1918 -	8.380.576,79	936.097,00	9.316.673,79	7.422.333,74	820.320,20	8.242.653,94	1.272.610,00
1919 -	8.123.264,53	1.478.725,00	9.601.989,53	7.702.490,08	1.204.674,15	8.907.164,23	942.066,00
1920 -	9.512.940,48	1.630.980,00	11.143.920,48	9.311.308,67	1.136.694,67	10.448.003,34	2.108.557,45
1921 -	12.112.207,19	93.577,72	12.205.784,91	12.055.969,44	88.737,27	12.144.706,71	2.445.772,88
1922 (1) -	12.464.805,78	141.666,45	12.606.472,23	12.892.333,33	141.666,45	13.033.999,78	2.110.440,74
1923 (Budget)	12.827.800,00	552.000,00	13.379.800,00	12.396.800,00	"	12.396.800,00	2.110.000,00 (2)

(1) Résultats probables de l'exercice suivant télégramme N°448 du 1er mai 1923 du Gouverneur de la Cochinchine.
(2) La diminution par rapport à l'exercice précédent provient de ce fait que les travaux de dragage ne sont plus effectués par le Budget de la Cochinchine à l'aide d'une contribution du Budget Général, mais directement sur les crédits de ce dernier budget.

Source: Archival records 1, 1923

The English translation of this material indicates that this is the Report on the Financial situation in Indochina – Statements annexed to the letter No. 715-F on 3 May 1923, Series I.

The second page of the material above is the ‘Budget Summary on Statement of receipts and expenditures of the general budget from 1913 to 1923’. The first column of the material is ‘Years’. The second column is ‘Income’ from ordinary and extraordinary activities, recorded in piastres [the medium of exchange at the time]. The third column reflects ‘Total income’, being the sum of ordinary and extraordinary income. The fourth column is ‘Disbursements’ for ordinary and extraordinary activities. The next column is ‘Total disbursements’, being the sum of ordinary and extraordinary disbursements. The final column is to record ‘Grants, contributions or rebates provided by the local budget to general budget’. The third page of the material is the ‘Statement of receipts and expenditures of local budget of Cochinchina from 1913 to 1923’ and uses the same template as the Budget Summary.

Budgetary control in France at the time was a forecast of receipts and expenses (Berland, 1998; Boyns, 1998a, 1998b). The above evidence shows that there were also budgets prepared for each of Tonkin, Annam and Cochinchina. By setting up budgets, French accounting was used in Vietnam under the French colonial rule to enable them to exercise central control of revenues, tax collection and export earnings and expenditures. Cumings (2004) supported this as follows:

Instead of a central colonial budget and financial pump-priming of industry, the French had local budgets for the three regions of Vietnam and financed them through [French] state monopolies of customs, duties, stamps, salt, alcohol and opium (p. 291).

This was also for tax purposes to enable the French companies operating in Vietnam to pay taxes, as noted in an archival record that:

Before 1955, French companies headquartered in France and with operations in Vietnam could pay their taxes in France, and the French government in turn reimbursed the French Government in Vietnam (Archival records 30, 1959, p. 18).

Taxation was fundamental to colonial rule everywhere (Hopkins, 1999). In North and Central Vietnam, taxes were primarily levied in order to pay for the colonial administration in South Vietnam (Fforde and Vylder, 1996). It is suggested from the evidence that budget accounting played a key role in the French colonial period in Vietnam. Accounting work was undertaken by French accountants rather than locals, to report back to their home jurisdiction. Consequently, the role of the Vietnamese was confined, at best, to a bookkeeping role under instruction by the French.

With reference to the Puxty *et al.* (1987) work, the three principles of social order – the state, the market and the community – did not have any significance for the colony during the French domination in Vietnam. The Vietnamese state surrendered all of their authority to the French, who controlled all major aspects of the country. The French used budgets to centrally control the colony operations from France. The market and community for accounting in Vietnam were absent, as there was little demand for Vietnamese accountants and also little need for the French administration to set up and develop indigenous accounting in Vietnam during their rule. French society was not organized in the same way as British society (Ramirez, 2001), and the French accountancy profession did not have a tradition of becoming involved in colonial outposts as did the UK-based Association of Chartered Certified Accountants (ACCA). Moreover, during 1880 – 1920, the French accounting profession in France had not yet gained sufficient autonomy to shape the practitioners' legitimacy (Ramirez, 2001). Therefore, the French influence on indigenous accounting practice in Vietnam during their domination was very limited. Budget accounting was used by the French, and local Vietnamese continued, at best, to be used as detailed bookkeepers under French supervision.

In summary, during 1858 – 1945, the French ruled the country, using its manpower to exploit resources in Vietnam. They made little effort to train the Vietnamese in accounting. There have been no records to indicate any positive impact by the colonial heritage on indigenous accounting by the French during their domination in Vietnam. The following section will discuss the accounting development in Vietnam from 1945 – 1975, subsequent to the withdrawal of the French and the division of the country into two parts with different political and economic conditions, taking into account the political, economic and legal changes.

4.4 Period 2: From 1945 – 1975 (socialist North Vietnam – Democratic Republic of Vietnam (DRV) and capitalist South Vietnam – Republic of Vietnam (RVN))

4.4.1 War time from 1945 – 1954

From 1945 – 1954 was a period of war. The French withdrew from North Vietnam as a result of the successful August Revolution in 1945. The August Revolution in 1945 is known as the successful uprising of the Communists (also known as the Vietminh Front) to seize power in North Vietnam subsequent to the surrender of the Japanese to the Allies. The Democratic Republic of Vietnam (DRV) was declared in September 1945 in North Vietnam by President Ho Chi Minh and the government started to build socialism (Duiker, 1983; Pham, 1991; Tonnesson, 2004; Corfield, 2008).

The economy of the DRV post-1945 was characterized as one of a war economy. During the period 1945 – 1954, the country's resources were entirely engaged in the war of resistance against the French. The Ministry of Finance (MoF) was one of the first 13 ministries established by the Government after the August Revolution in 1945, under the Law No. 75 issued on 29 May 1946 by President Ho Chi Minh of the DRV (National Archival Centre of Vietnam, 1945; Archival record 3, 1946; Vietnam Accounting Association, 2001, 2005). A copy of this Law in Vietnamese can be found in **Appendix 3**.

During this period, the main accounting regulation was the Regulation on Revenue and Spending and the General Accounting of the DRV, issued by the MoF, replacing previous accounting regulations issued during the colonial rule. This is noted from the archival records of the MoF:

The precursor of drafting accounting regime task belonged to the Director of Affairs of Organisation of National Budget of Ministry of Finance [under the French rule], conducting bookkeeping on the receipt and spending by both on cash and in-kind. In 1948, for the first time, the Ministry of Finance issued Regulations on the receipts and payments and General Accounting of the Democratic Republic of Vietnam by the Decree No. 1535 VP/TDQ dated 25 September 1948 (Archival records 2, 2007, p. 7).

And as mentioned in an MoF publication on its web portal:

According to the Regulations on the receipts and payments and General Accounting promulgated in 1948, State finance was managed in the centralized and unified principles: all rights on receipts and payments belonged to the central government with limited authorization to grassroots (<http://www.mof.gov.vn/Default.aspx?tabid=310&ItemID=403>, accessed on 30 April 2009).

As observed by a senior member of the VAA, who is also a former senior official of the MoF:

The economic entities of the [DRV] state were not significant, apart from some arsenals and logistic units serving the Revolution. The state did not exercise its economic management function and did not issue accounting system yet. In order to monitor assets, warehouses, funding, the spending of organizations which were managed by the state, records were kept simple (Interviewee 3).

This indicates that accounting procedures in Vietnam in this period included asset registers and warehouse and inventory management. In its publication on the anniversary

of 45 years of development of the Department of Accounting and Auditing Policy, it is noted by the MoF (2001a) that:

In the years of the Revolution against the French colonialists, the [DRV] state did not have economic entities apart from some arsenals and small local economic units. Therefore, accounting was used mainly to record budget spending and receipt in a very simple form (p. 7).

A former senior official of the MoF also recalled that:

After the August Revolution in 1945, the Revolutionary Government continued using the existing accounting model, as the DRV did not have its own accounting system, but then made some minor amendments to enable it to become budget accounting until 1951 (Interviewee 2).

It can be argued that, subsequent to the establishment of the MoF during the war years, Vietnamese accounting was also established in the state sector, albeit in a very simple form of purely recording of budget receipts and spending. It is found from the archival records that the Government passed the “Eight policies of the Government of the DRV to newly-liberated cities” on 17 September 1954. With regard to those Vietnamese people who worked in the French colonial administration:

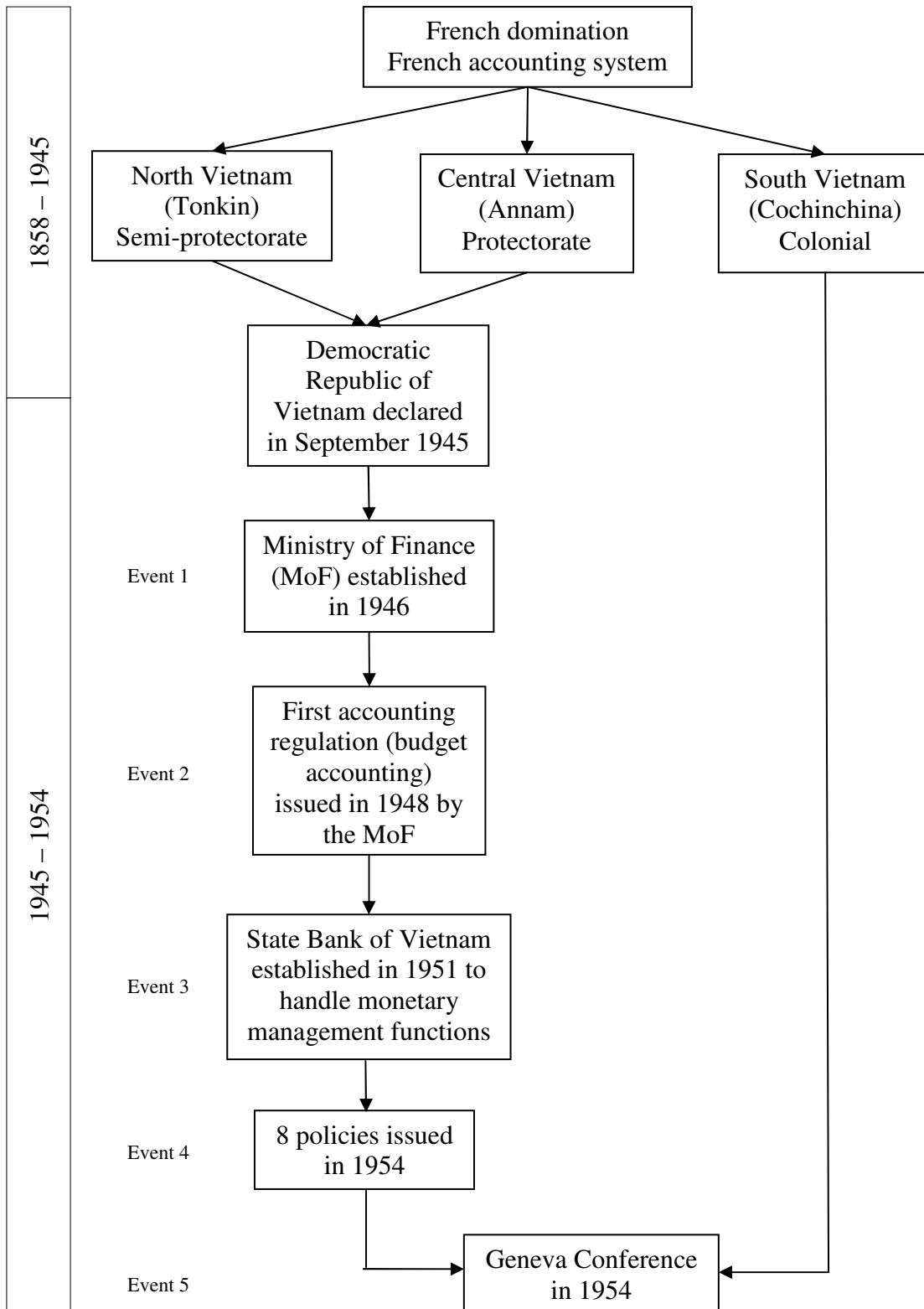
Policy 5: All officials in the French colonial administration including policemen will be employed in accordance with their talent. Those who continued to be employed will receive the same salaries as being paid by the French colonial administration. Everyone must obey and comply with the order of the Government of the DRV, and must maintain assets and documents of the organization while waiting for the Government of the DRV to assign its representatives to come and take over. Those who intentionally destroy or steal public properties and not obey the order of the Government of the DRV will be severely punished (Archival record 4, 1954, p. 1).

Policy 5 indicates that accounting procedures included asset register, inventory system, and payment of wages and salaries.

Findings from the archival records are consistent with the observation made by Interviewee 2, in that the DRV state took over and maintained the operations of French-owned enterprises and offices as that operating before DRV's liberation. This indicates that those Vietnamese people who worked in the French enterprises were continued to be employed by the new government to work for these enterprises and offices under the same conditions in respect of job and salary.

As noted in the previous section, under the Commercial Code 1807, accounting records and reports maintained by the French corporations in France were required to disclose their balance sheets and income statements to the shareholders at the annual general meeting. The financial statements were not always destined to provide the readers with an accurate picture of the business performance. In addition, the books of the corporations were not generally audited by an independent public accountant (Wasserman, 1931; Lemarchand and Parker, 1996). As there was no significant development in the DRV economy during the war years from 1945 – 1954, it is observed that there were no significant accounting developments. The following chart (Chart 4-I) provides an overview of major events in Vietnam from the French colonial rule 1858 until the Geneva Conference in 1954 when North Vietnam was liberated from the French:

Chart 4-I – Major events in Vietnam during French rule 1858 – 1945 and war years 1945 – 1954



The next period is from 1954 – 1975 when the DRV was completely liberated from the French and started to build socialism. Subsequent to the defeat of the French at Dien Bien Phu and the signing of the General Accord at the Geneva Conference of 1954, supported by the USA, the Soviet Union, Great Britain and China, France's colonising presence in Vietnam ended. The country was divided into two sovereign states at the Demilitarised Zone on the 17th parallel, with North Vietnam declared as the Democratic Republic of Vietnam (DRV) and South Vietnam proclaimed as the Republic of Vietnam (RVN), with two very different political and economic systems which lasted for 20 years (Bui and Nguyen, 2006; Olsen, 2006; DeFronzo, 2007).

As a result, there was the existence of two accounting systems in Vietnam between 1954 and 1975: the socialist system in the North, based on the Chinese and Soviet Union models, and the previous French system in the South (Chu, 1991; Nguyen and Pham, 1997). The organization and development of accounting in North Vietnam during 1954 – 1975 will now be discussed in greater detail, taking into account the political and economic context.

4.4.2 North Vietnam (DRV) accounting practice 1954 – 1975 (the socialist economy)

4.4.2.1 The political and economic context

The Ho Chi Minh ideology has been the main factor leading the country's political and economic directions and development since its liberation and later on, political independence.

President Ho Chi Minh is the major figure in the history of Vietnam during the 20th century (Corfield, 2008). He led the VCP and represented the State. A strong presidency was created by President Ho Chi Minh after the August Revolution in 1945, in recognition of the need for strong central authority and of the somewhat unique role of him as the party's founder and leader (Duiker, 1983).

The aims of the DRV government were to secure the republic in the North by building political and administrative strength and developing a strong army, and to promote the struggle against France in South Vietnam (Tonnesson, 2010).

The Constitution of the DRV in 1959 stated that:

The DRV moves gradually from the people democracy to socialism by developing and renovating the national economy towards socialism, turning the backward agricultural economy into the socialist economy with modern industry and agriculture, advanced science and technology (The Constitution, 1959, p. 4).

In developing a socialist state, the DRV started to build a socialist economy, with collective agricultural production as the basis for industrial and infrastructure planning, and with the VCP controlling all economic activities from the late 1950s. Every single step from the initial stage of goal setting all through the planning and implementation stages was decided and directed by the VCP (Nguyen, 1975; Harvie and Tran, 1997; Bui and Nguyen, 2006).

To serve the socialist political and economic directions mentioned in the Constitution above, the DRV state adopted socialist accounting practices, using double-entry book-keeping. As such, French accounting practice was no longer applicable. As noted earlier in this Chapter, the Vietnamese have been governed by the socialist Marxist – Leninist principles for over 30 years. In the political thought of Lenin, accounting was seen to play a crucial role in the transition from the lower phase to the higher phase of Communist society (Alexander, Bychkova and Solokov, 2006).

The MoF noted that:

After the liberation, the new government in North Vietnam took over economic units left behind by the French colonialists and established enterprises and economic units of the State of DRV, gradually forming the state economic sector system which played an increasingly important role in the society and economy. The economic activities and the new management required an urgent need for a new accounting system [in the public sector] (Archival records 2, 2007 p. 7).

Subsequent to the liberation from the French in 1954, the State-Owned Enterprise (SOE) sector was quickly established by the government by both nationalizing the existing

private-owned enterprises, mostly medium and large enterprises left behind by the French, and creating new SOE establishments (Vu, 2002; Thoburn, 2009).

The development of the DRV was heavily dependent on foreign aid from socialist countries, mostly from China and Soviet Union. This dependence arose because the DRV's economy emerged from the colonial period in an extremely underdeveloped state and with very limited domestic resources on which to base capital accumulation and industrialization (Vu, 1994; Harvie and Tran, 1997; Beresford and Dang, 2000; Bui and Nguyen, 2006).

As its closest neighbour, China was the major source of military and economic aid to the DRV in its war against the French. Therefore, when the DRV was liberated from the French in 1954, the Chinese military and economic aid to the country decreased somewhat (Duiker, 1983). Their involvement was then related to the DRV's economic planning to speed up its collectivization of agriculture, using the Chinese economic model. To a lesser extent, the Soviet Union's indirect assistance to Vietnam, through China, was in the form of equipment, officers and advice (Roper, 2000; Olsen, 2006).

4.4.2.2 Accounting practice

After the completion of taking over the French operations, the Department of Accounting Policy (DAP) was established through a proposal of the MoF. It belonged to the MoF in accordance with the Decree No. 1076-TTg dated 11 October 1956 by the Prime Minister, with:

The primary functions of the DAP were to develop and recommend the Minister of Finance to issue accounting systems, to approve accounting regulations proposed by industries, to handle accounting transactions arising during the implementation of accounting regulations, and to check the compliance with accounting regulations and timely innovate to meet the country's development (Archival records 2, 2007, p. 7).

A full copy in Vietnamese language of the Decree No. 1076-TTg dated 11 October 1956 by the Prime Minister regarding the establishment of the DAP can be found in the **Appendix 4**.

In this political and economic context, accounting regulations were issued by the MoF to serve economic development requirements and to record specific activities of the economy, given that SOEs was the homogenous sector (Adams and Do, 2005). A former senior official of the MoF explained the role of accounting during 1945 – 1960 that:

As the DRV was just liberated from the War, industrial and trading reforms were undertaken to serve the self-supply and self-consumption economy. Accounting during this period was a tool to serve a specific activity in the economy, not a management tool and the state did not centrally manage accounting work (Interviewee 2).

For instance, accounting was used to record specific activities of industrial enterprises for capital construction and in the fields of trade, supply and consumption, and materials for enterprises and construction sites.

4.4.2.2.1 *Chinese influence on accounting*

As stated by a former senior official of the MoF:

From 1956, the country started to build and apply an accounting system based on the experience of the People's Republic of China and with the assistance of the Soviet Union. Accounting for enterprises in the DRV was mainly an application of industrial accounting of China, using double-entry, which included accounting for heavy industry, accounting for transportation, and accounting for materials (Interviewee 2).

Sharing similar views, another former senior official of the MoF stated that:

Since North Vietnam was completely liberated in 1954, with the assistance of Chinese and Soviet Union specialists, together with the economic restoration and

development, the government issued a range of accounting regulations for each economic sector of the national economy, based on the Chinese accounting model, including budget accounting, (heavy) industry accounting, capital construction accounting, supply and consumption accounting, trade accounting etc. (Interviewee 3).

The above comments from the two interviewees are consistent with each other. It is worth noting that the initial stage of Vietnamese accounting in the late 1950s and in 1960s was developed parallel to Chinese accounting.

Heavy industry in the DRV in this period included mining, coal production, steel production, ship-building, and tractor manufacturer (Thayer, 1976). Much of industry was destroyed by the war and machines were also dismantled by the French when they finally withdrew from Vietnam (Vickerman, 1985). Vo (1990) made an important point:

The Party leadership decided to “build an independent and relatively comprehensive national economy”; therefore it was necessary, right from the beginning of the transition period to socialism, “to lay the foundations of Vietnam’s own heavy industry”, in other words, to give priority to the development of heavy industry (p. 33).

This indicates that heavy industry after 1954 was meant to be restored and developed by the DRV government, aiming to develop its own heavy industry. The evidence suggests that industry-based accounting was implemented by the DRV government, which included accounting for industrial and for capital construction sectors, based on the Chinese accounting model. Explaining why the DRV state decided to adopt the Chinese accounting model, a former MoF senior official elaborated that:

As one of the most powerful countries and given its liberation in 1949, China was ahead of Vietnam in its economic development. China assisted in the construction and development of the economic management mechanism of the DRV after its liberation in 1954. In addition, China helped train Vietnamese officials, including

in accounting, during 1949 – 1959. Chinese was also the main foreign language taught in high schools in Vietnam (Interviewee 2).

Yuan (2006), Olsen (2006) and Raffin (2008) also noted the provision by the Chinese of extensive materials and human training assistance to Vietnam in the 1950s for two decades.

A former senior official of the MoF commented that:

In Vietnam, the first document in accounting which had legal nature and issued in 1961 when Vietnam undertook the first Five-Year Plan (1961 – 1965) was the Decree No. 175/CP dated 28 October 1961 by the Prime Minister regarding the Charter for Organisation of State Accounting (Interviewee 2).

The state implemented the first Five-Year Plan 1961 – 1965, with its primary objective being to complete the socialist transformation of the economy and to promote rapid development of the industrial and agricultural sector, together with moving from small-scale to large-scale production (Duiker, 1983). The SOE sector in Vietnam was established by an investment of the government, with an average of 61.2 per cent of total budget expenditures in the first Five-Year Plan (Vu, 2002; Truong, 2006). Thus, the SOE sector was under direct control and management of line ministries of the central government, and designed as the basic production units only. Their operations, sales and product pricing were all promulgated by the state's planning authorities; and their financing, spending and profit allocation were subject to the rigorous administration or control of the state's public finance departments (Ge and Lin, 1993; Vu, 2002).

The Charter for Organisation of State Accounting was regarded as 'the highest legislative as the basis for the organization of accounting mechanism from the central level to grassroots' (Archival records 2, 2007, p. 8).

The issuance of the Charter for Organisation of State Accounting is a significant event in accounting development during the first Five-Year Plan. A senior official of the VAA, who is also a former senior official of the MoF, stated that:

The Charter for Organisation of State Accounting included provisions relating to the functions and duties of accounting, contents of accounting work, organising accounting work and accounting mechanism, accounting methodology and the role of chief accountants in state enterprises (Interviewee 3).

For the first time, accounting activities were stipulated in a government-issued document, in which the role of chief accountants in SOEs was recognized. Under provisions of the Charter, the chief accountant was responsible for organizing and managing accounting work at the enterprise as well as ensuring compliance with the unified accounting system and relevant regulations issued by the MoF (Archival records 5, 1961a).

On the basis of the Charter for Organisation of State Accounting, many accounting regulations were issued by the MoF, based on the Chinese accounting model. The regulations were applicable to State enterprises, cooperatives and State organizations until 1970s, including:

- Accounting regulation for the State-run industrial sector (Decision No. 776 TC/CDKT dated 29 November 1961) (Archival records 6, 1961b).
- Accounting regulation for capital construction (Decision No. 273 TC/CDKT dated 6 December 1961) (Archival records 23, 1961c).
- Accounting regulation for industrial cooperatives (Decision No. 393/QD/CDKT dated 30 September 1968). The accounting in cooperatives aimed to help the cooperatives to monitor their production performance and capital sources accurately and timely to enable them to manage and make a good use of their assets, capital and labours (Archival records 24, 1968).

Duiker (1983) noted that the state-run industrial sector in the DRV received the major portion of public investments and grew by 243.3 per cent in 1960. The accounting regulation for the State-run industrial sector issued in the Decision No. 776 TC/CDKT dated 29 November 1961 by MoF was found from the archival records. It consisted of a chart of accounts and a description of the accounts. The chart of accounts was divided into twelve main categories of accounts, three of which related to cost accounting (classes

2, 3 and 4). The chart subdivided into three synthetic accounts and three digit analytical sub-accounts. A copy of this Decision can be found in **Appendix 5**.

The following Table 4.2 is developed by the researcher to provide a comparison between these fundamental accounting regulations.

Table 4.2 – Charts of accounts for accounting regulations in the DRV

Group	State-run industrial accounting	Capital construction accounting	Industrial cooperatives accounting
1	Fixed assets	Fixed assets	Fixed assets
2	Materials	Materials and equipment	Materials
3	Cost of production	Cost of production and costs to be allocated	Cost of production
4	Finished products and consumption	Hand-over and consumption	Finished products and consumption
5	Monetary capital	Monetary capital	Monetary capital
6	Payments	Payments	Payments
7	Allocated capital	Allocated capital	Capital sources
8	Surplus or deficit of damaged materials pending to be resolved	Surplus or deficit of damaged materials pending to be resolved	Income and distribution
9	Capital sources and pre-allocated expenses	Capital	
10	Short-term loans with banks and other distributed funds	Basic capital distributed funds	
11	Financial performance	Short-term loans with banks and other capital sources	
12	Payments for and	Financial performance	

Group	State-run industrial accounting	Capital construction accounting	Industrial cooperatives accounting
	distribution of basic construction		

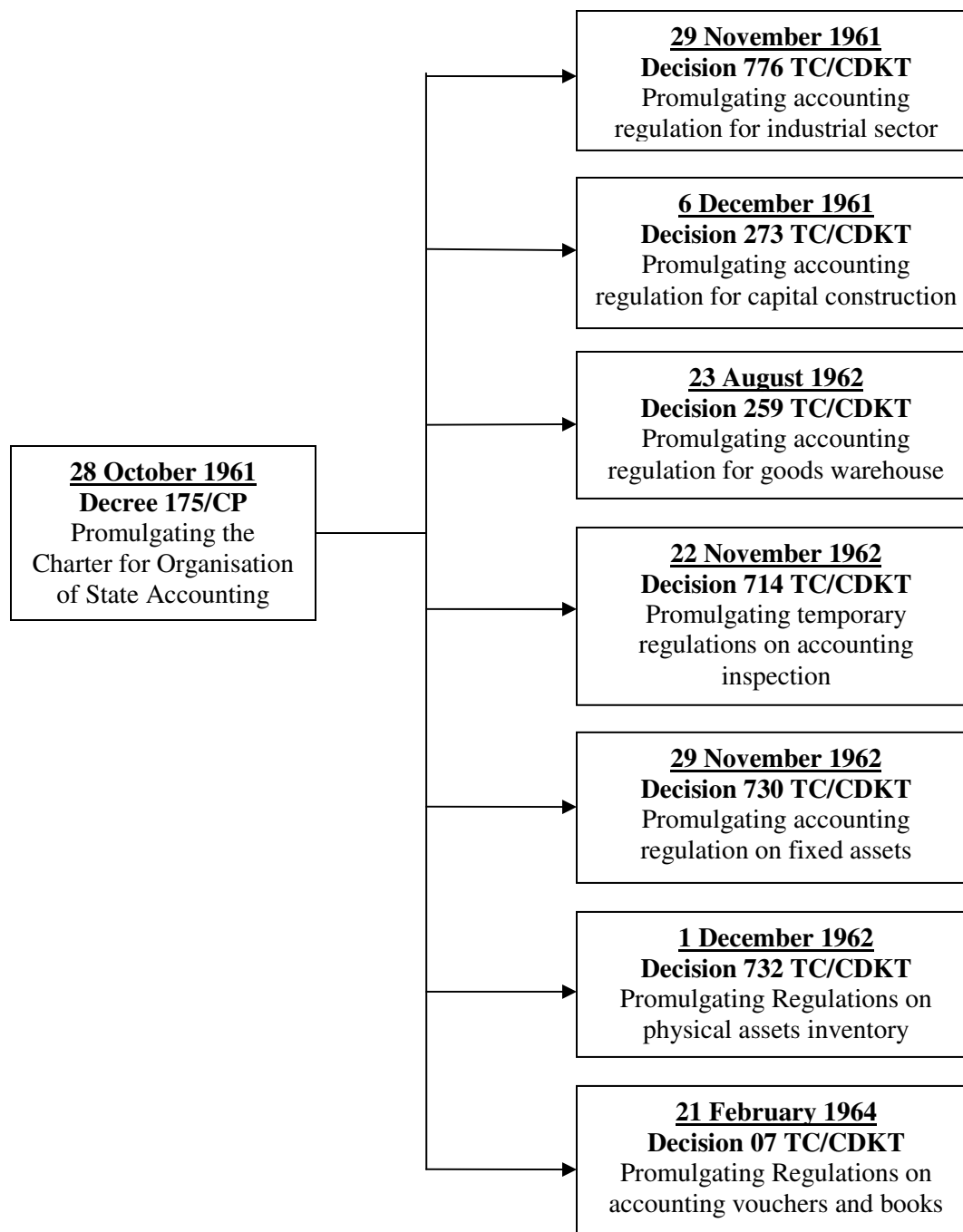
Source: Archival records 6, 1961b; Archival records 23, 1961c; Archival records 24, 1968

Also, a number of other accounting regulations were issued during 1962 – 1964 (Archival records 2, 2007, p. 8), including:

- Accounting regulation on goods warehouse (Decision No. 259 TC/CDKT dated 23 August 1962)
- Temporary regulations on accounting inspection (Decision No. 714 TC/CDKT dated 22 November 1962)
- Accounting regulation on fixed assets (Decision No. 730 TC/CDKT dated 29 November 1962)
- Regulations on physical assets inventory (Decision No. 732 TC/CDKT dated 1 December 1962)
- Regulations on accounting vouchers and books (Decision No. 07 TC/CDKT dated 21 February 1964).

The following Figure 4.2 provides a snapshot of accounting regulations during 1961 – 1965, when the first Five-Year Plan was implemented, as the foundation for accounting in Vietnam, based on the Chinese accounting model.

Figure 4.2 – Accounting regulations during 1961 – 1965



Source: Archival records 2, 2007; Archival records 5, 1961a; Archival records 6, 1961b; MoF, 2001a

These accounting regulations had contributed to the management and monitoring of the economic planning performance and the protection of socialist assets, enhancing the

state's management on economics and finance, and created favourable conditions for SOEs in their initial stage of implementation of economic accounting (Nguyen, 2005a).

Accounting inspection was the 'audit' concerned with the observation of the numerous accounting regulations. More precisely, its main function was not to verify financial statements, but to check on the effectiveness in the use of material and financial resources. This was similar to the case of Polish accounting in the late 1940s and the Czech Republic in the late 1970s and early 1980s (Krzywda *et al.*, 1996; Zelenka *et al.*, 1996).

Chu (2004) summarised:

[During 1961 – 1970], accounting systems [in Vietnam] were set up in all types of entities including government organisations, state enterprises and collective farms to create a complex accounting apparatus used as a tool in administering economy (p. 142).

A senior official of the VAA, who is also a former senior official of the MoF, commented that:

The accounting regulations issued in this period had laid a foundation for the birth of an accounting system of the Socialist Republic of Vietnam later on. It assisted the State in setting up a management mechanism for each economic sector in the initial stage of the economic restoration, construction and development (Interviewee 3).

The following section will further examine the development of accounting in the mid 1960s, which followed the Soviet model.

4.4.2.2.2 Soviet influence on accounting

As noted earlier in this Chapter, according to the Constitution in 1959 of the DRV, the State led economic activities which were carried on in accordance with a unified plan

(The Constitution, 1959). Under the leadership of the VCP, the DRV started building socialism. Economic management had changed from the war time to peace time.

As tensions between Vietnam and China emerged during the 1960s and the 1970s because of the opposing perspectives relating to the relationships with the US, and Vietnam's worries about excessive Chinese influence due to the geographical and cultural proximities of the two countries, Vietnam became more reliant on the Soviet Union. The Soviet Union became the major counterpart in helping Vietnam in economic management (Harvie and Tran, 1997; Raffin, 2008); and as Vietnam appeared to be leaning toward the Soviet Union for political and military direction, the DRV state adopted the Soviet Union model of a centrally-managed economy. Scott (1969) described the Soviet model by noting that:

The essence of the Soviet economy is central control of a substantial part of all human and natural resources and production facilities... The state establishes enterprises, organizes production, plans quotas or economic targets, sets wage rates and employment levels; and allocates monetary capital, capital goods, and other factors of production to each industry and to each firm within an industry (pp. 55-56).

Another former senior official of the MoF recalled:

The [DRV] State unitedly managed and administered the economy by a centrally-planned mechanism, followed Soviet Union management approach, to manage the post-war economy. The economy was based on mass ownership by the whole people and collective ownership (Interviewee 2).

Therefore, the economy of the DRV had all the characteristics of Soviet-style centralized planning: collectivized agriculture; government set and administered prices; state enterprises domination of the industrial sector; and State control of all foreign trade (Harvie and Tran, 1997; Roper, 2000; Nguyen, 2009). Official statistics indicated that

more than 90 percent of the industrial and agricultural sector was under national or collective ownership (Duiker, 1983).

A former senior official of the MoF elaborated that:

The strong growth of Eastern European economies in 1960, together with some Asian countries, the socialist countries bloc became strong, especially the Soviet Union. The Soviet Union economy developed rapidly and was the only country where economic management mechanism was built. This had positive impact to those countries chosen to follow the socialist economic model. All Eastern European countries followed the Soviet Union economic model. Thus, Vietnam also improved its economic management structure followed the Soviet Union economic model. Many Vietnamese officials were sent to study in the Soviet Union. We also invited Soviet specialists to work in Vietnam during 1968 – 1970 (Interviewee 2).

Raffin (2008) also observed:

In terms of centre-periphery hierarchies, the Soviet Union became another centre [apart from China] to which Vietnamese were sent for training (p. 339).

It is noted from the archival materials that:

With the assistance of Soviet Union specialists and the contribution of young officials who were trained locally and overseas, we [the State] conducted the improvement of accounting towards uniform accounting, statistics and economic information on the principle of socialist economy, based on the Soviet Union accounting model, which was commenced from the issuance of the New Regulations on Chief Accountant in the Decree No. 176/CP dated 10 September 1970, replacing Chapter III of the Charter for Organisation of State Accounting, issued in the Decree No. 175/CP on 28 October 1961 (Archival records 2, 2007, p. 8).

An interviewee who worked for one of the Big Four firms in Vietnam revealed that:

Thanks to being the interpreter for Soviet specialists on the Soviet accounting system when they came to Vietnam to help build an accounting system, the MoF official became very knowledgeable on the Journal – Voucher system in the Soviet accounting and was regarded an expert on the Soviet accounting system. He became the Director of Department of Accounting Policy of the MoF later on (Interviewee 16).

This explains the state's influential role in the development of accounting in Vietnam. Apart from receiving Soviet specialists' advice and technical assistance, the State appointed an official who was very knowledgeable on Soviet accounting to be the then Director of Department of Accounting Policy of the MoF and to lead the development of the DRV accounting, based on the Soviet accounting system. Alexander *et al.* (2006) cited the description made by Dembinskii (1957) of the general nature of Soviet accounting that:

In the conditions of our social order, all aspects of national economic accounting are organized in the interests of the national economy as a whole, in the interests of the creation of a scientifically validated system of control statistics that provide for comprehensive accounting and control of the processes of extended socialist reproduction (pp. 4-5).

Although the DRV government followed the Soviet Union economic model, it was more selective on adopting the Soviet accounting model, as pointed out by another former senior official of the MoF on why the Soviet Union accounting model was chosen by Vietnam that:

Vietnam learnt the Soviet Union accounting model because the Soviet Union was the powerful country amongst the socialist countries bloc. However, Vietnam only applied the Soviet Union accounting model in the conditions and development context of the country, not adopted it entirely (Interviewee 3).

The Vietnamese government undertook a conservative approach as time went along, trying different approaches to see what would work best and moving gradually. This is

similar to the approach taken by the Chinese government in respect of accounting regulations (Hao, 1999).

Vietnamese accounting in this period changed its role. It was no longer a means to serve a particular industry. It became a management tool of the state, as indicated by a former senior official of the MoF:

The state monitored and managed the economy by administrative measures, not economic measures. Therefore, accounting became a management tool of the state and was used to manage assets, capital, and other benefits of the state in the entire economy. The then economy had only one sector – state economic sector. There was no concept of private sector (Interviewee 2).

It should be noted that there was only one sector in the then centralized economy – the state sector. The private sector was not in existence during this time.

Nguyen and Eddie (1994) noted:

As a result, accounting in Vietnam was subjected to Soviet accounting practice and was isolated from interactions with other countries (p. 4).

The central government relied heavily on accounting to supply information for the preparation of economic plans and the state's fiscal budgets. This was the same as that of China, as discussed by Huang and Ma (2001):

Under the planned economy [in China], the sole purpose of the SOEs' financial information was to assist in the planning and execution of the state plan and, hence, the government (in particular, the government financial bureaux, administrative and statistics departments) was the only user of financial statements (p. 65).

Accounting units in Vietnam at the central level, including ministries and ministerial equivalent bodies, set up their industry-based accounting regulation and the prescribed template of accounting books and vouchers. Periodic finalisation reports submitted by

those accounting units would be approved by relevant ministries. The relevant ministries would then prepare their consolidated reports of their industry to the Office of the Prime Minister, the MoF, the Central Statistics Office, Committee for State Planning (now Ministry of Planning and Investment), and the State Bank of Vietnam (Archival records 2, 2007). With reference to the Puxty *et al.* (1987) work, the state, through government agencies, was the primary stakeholder of accounting information. Therefore, the state was also the market for accounting in this period.

The first unified accounting system in Vietnam consisted of:

- the initial recording system (Decision No. 583/LB/TC-TK jointly issued by the MoF and the Office of Statistics),
- the chart of accounts applicable to all sectors (Decision No. 425 TC/CDKT dated 14 December 1970 by the MoF),
- the accounting books followed the Journal Voucher form (Decision No. 426 TC/CDKT dated 14 December 1970 by the MoF), and
- the regulation on accounting and statistical reports of industrial enterprises (Decision No. 233/CP dated 1 December 1970 by the Prime Minister (Archival records 2, 2007)).

The modifications to the Soviet accounting model for Vietnam aimed to make accounting work simpler and to meet economic management requirements of a young socialist country that Vietnam then was. The senior member of the VAA, who is a former senior MoF official, observed that:

The Vietnamese accounting used 12 journal vouchers instead of 17 as that of the Soviet Union accounting system. This is because Vietnamese accounting was simpler than that of the Soviet Union (Interviewee 3).

Another interviewee made a consistent observation:

The vouchers in the Vietnamese accounting system, based on the Soviet model, consisted of 11 journals and 1 ledger, making it 12 in total (Interviewee 16).

Thanh Tung (2008) noted that the accounting books followed the Journal – Voucher system with 12 journals – vouchers, 15 lists, 5 lists of allocation, which were both encouraging and compulsory to use by enterprises. This was regarded as an advanced form of accounting, and convenience for checking and reconciliation of economic information, minimizing fraud and errors.

In addition, the New Regulations on Chief Accountant in SOEs was issued in the Decree No. 176/CP on 10 September 1970, replacing those provisions relating to chief accountant in the Charter for Organisation of State Accounting in 1961. Accordingly, the Chief Accountant had a dual role, that is, organizing and managing accounting work at the enterprise and being the economic controller of the state at the enterprise (Thanh Tung, 2008). It is noted from the New Regulations on Chief Accountant in 1970 that:

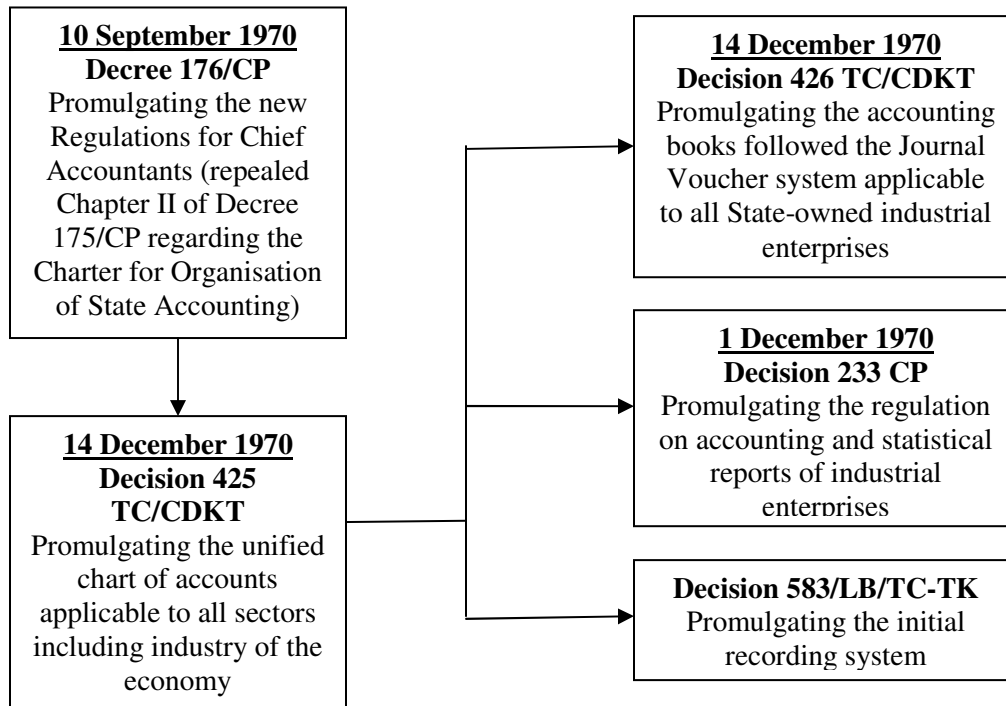
Chief accountant was tasked to organize accounting work, assisted the head of an organization in managing economics and finance of the enterprise, and acted as a controller of the state at the enterprise (Archival records 20, 1970, p. 2).

The New Regulations on Chief Accountant in 1970 addressed some specific issues which were not provided for in the Charter for Organisation of State Accounting in 1961. For instance, the MoF had the authority to appoint chief accountants of general corporations and departments belonged to the MoF. Compared to provisions relating to the chief accountant issued in the Charter for Organisation of State Accounting in 1961, the role of chief accountant in the 1970 Charter was considered as an important job (Archival records 20, 1970). This is one of the characteristics of Soviet accounting.

With reference to the Puxty *et al.* (1987) work, the evidence suggests that, as the state appointed chief accountants of SOEs, the state was also the community for accountants. They shared a common identity as public servants and were obliged to protect the interests of the state.

The following Figure 4.3 provides a snapshot on accounting regulations during 1966 – 1970, when the unification of accounting and statistics was undertaken, based on the Soviet accounting model:

Figure 4.3 – Accounting regulations during 1966 – 1970



Source: Archival records 2, 2007; MoF, 2001a

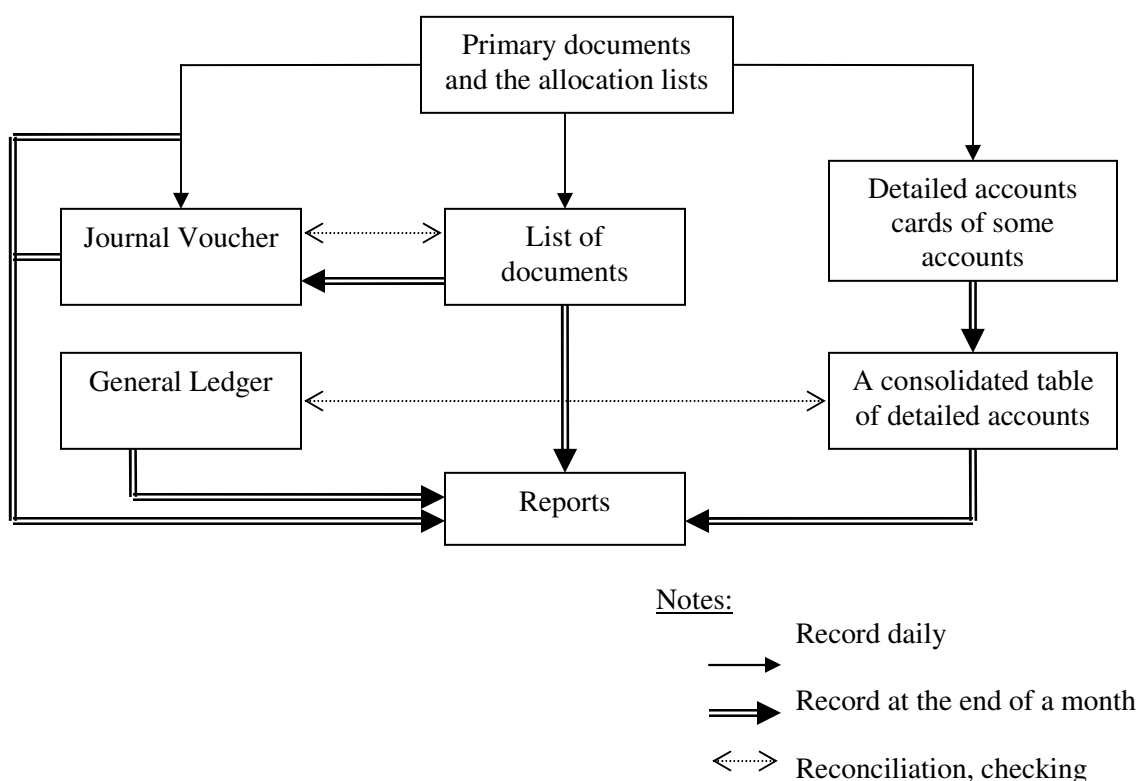
The main differences between accounting regulations in this period and the previous period (1961 – 1965) are that the former was based on the Soviet accounting model; whereas the latter was based on the Chinese accounting model; and that the first unified accounting system was promulgated in 1970. To have an understanding on how the Journal Voucher system worked, the archival material indicated that it only reflected the credit side of an account. The Journal Vouchers were maintained to record monthly transactions. They are closed at the end of each month and open in a new month (Archival records 9, 1972).

This is consistent with an observation made by an interviewee:

The difference in recording in the Soviet accounting system was that the ledger only reflected the credit side, not included the debit side as in the ledger account (Interviewee 16).

The following Figure 4.4 shows the procedure of the Journal Voucher accounting system of a state-owned industrial enterprise:

Figure 4.4 – The Journal Voucher accounting system applicable to enterprises of the national economy (1972)



Source: Archival records 9, 1972

A copy of this archival record in Vietnamese can be found in **Appendix 6**. The journal voucher system in the Vietnamese accounting system was similar to that of the Soviet accounting system. However, Vietnamese accounting procedures were more detailed. The similarity was reflected by the way accounting records were monitored – in the Soviet accounting procedures, documents were recorded in card indices, the cashbook and journal orders; whereas the Vietnamese accounting procedures required documents to

be recorded to detailed account cards of some accounts, the list of documents and then the journal vouchers.

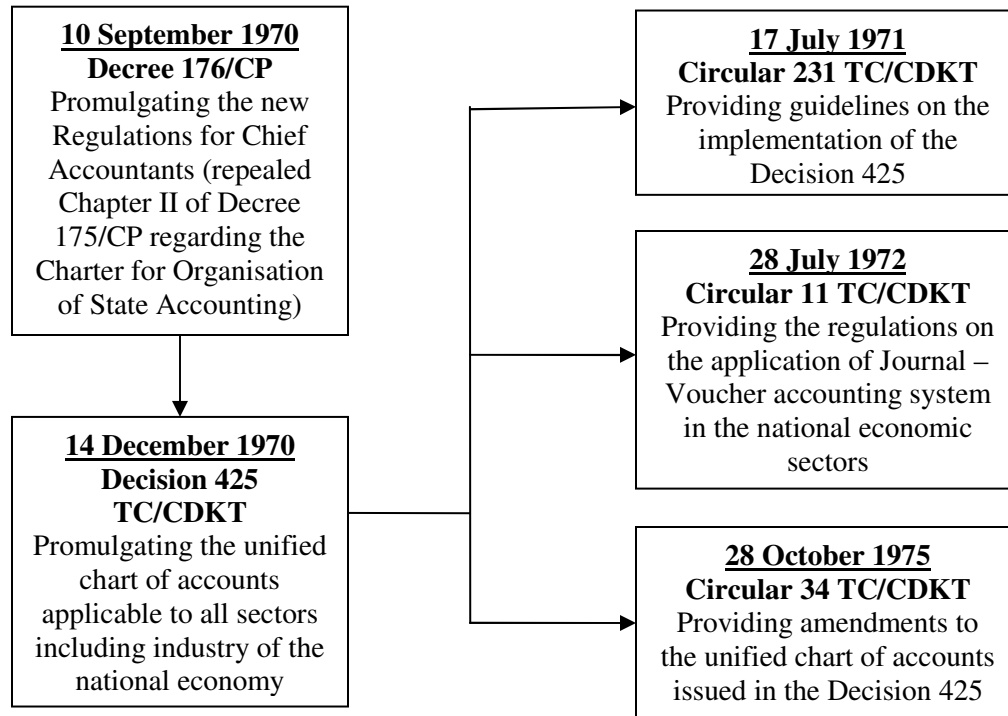
In particular, the more detailed Vietnamese accounting procedures included the maintenance of a consolidated table of detailed accounts at the end of a month, which would be one of the information sources for reports; the reconciliation between the general ledger and the consolidated table of detailed accounts; and the use of information from documents and journal vouchers for accounting reports at the end of a month. This suggests that DRV's objective was to exercise very tight control over enterprises, by using accounting as a tool to achieve them. The first unified chart of accounts applicable to all economic sectors was issued in the Decision No. 425 TC/CDKT dated 14 December 1970 of the MoF. Similar to the Soviet accounting system, the Vietnamese unified chart of accounts was divided into eleven main categories of accounts, three of which related to cost accounting (classes 2, 3 and 4) (Archival records 7, 1970, pp. 1-5). A copy of this chart of accounts in Vietnamese can be found in the **Appendix 7**.

The unified chart of accounts in 1970 required the application of the standardization of the accounting system by every sector and industry in the national economy, by using a standard chart of accounts promulgated by the MoF and applicable to all sectors in the economy. However, there was no standardization of presentation of financial statements required. Enterprises were not required to publish their financial statements and the MoF was the main user of the enterprises' financial information. This reflects the characteristics of the socialist system and a Soviet-style centrally-planned economy in which the market, as articulated in the work of Puxty *et al.* (1987) and Streeck and Schmitter (1985), was the state.

The standardization of accounting rules was necessary for the compilation of national accounting statistics and hence, very useful for an economy planned and controlled by a centralized government. Subsequent to the promulgation of the unified chart of accounts in 1970 under the Decision 425, a number of accounting regulations and amendments

were issued to guide the implementation of and to refine the Decision 425. The following Figure 4.5 provides an overview of regulations during 1971 – 1975:

Figure 4.5 – Accounting regulations during 1971 – 1975



Source: Archival records 8, 1971; Archival records 9, 1972, Archival records 10, 1975; MoF, 2001a; Adams and Do, 2005

Nobes (1992) cited Gregory and Stewart’s summary of four fundamental factors, namely decision-making structure, mechanisms for information and coordination, property rights and incentives, in three economic systems classification. These include capitalism, market socialism and planned socialism, to form a type of economic system classification morphology as follows:

	Capitalism	Market socialism	Planned socialism
Decision-making structure	Primarily decentralized	Primarily centralized	Primarily centralized
Mechanisms for	Primarily market	Primarily market	Primarily plan

	Capitalism	Market socialism	Planned socialism
information			
Property rights	Primarily private ownership	State and/or collective ownership	Primarily state ownership
Incentives	Primarily materials	Material and moral	Material and moral

Source: Nobes, 1992, p. 37

Four fundamental differentiating factors have been identified by one pair of classifiers of economic systems. The above chart implies a three-group classification of economic systems (Nobes, 1992). With reference to Nobes (1992), in the planned socialism in Vietnam, the decision-making structure was centralized by the state, through using plans and a unified accounting system as mechanisms for collecting information for economic management. Assets in the economy and enterprises were under state ownership, with material and moral incentives.

The discussion above suggests that the Soviet influence on accounting in Vietnam was through the selective application of the Soviet accounting system, the use of the philosophy of Soviet accounting in respect of accounting and statistics combinations, and the provision of accounting expertise to Vietnamese personnel via training programs and technical assistance. As far as the era of the DRV is concerned, during 1954 – 1975, there was no evidence indicating the existence of Vietnamese accounting and auditing standards. The government's authority and hierarchical control of accounting rules and procedures were implemented through the MoF. The state played a dominant role in economic development and regulating and controlling accounting practice. The state in the Puxty *et al.* (1987) study was also the market and the community for accounting.

The DRV accounting followed the Chinese accounting model subsequent to its liberation from the French in 1954 for about a decade. Due to political conflicts with China, the DRV then followed the Soviet Union accounting model until the country's unification in

1975. The following section will examine the development of accounting in South Vietnam, the Republic of Vietnam (RVN), during 1954 – 1975.

4.4.3 Accounting practice in South Vietnam from 1954 – 1975 (the capitalist economy)

Subsequent to the signing of the General Accord at the Geneva Conference of 1954, the US began their involvement in South Vietnam, also known as the Republic of Vietnam (RVN), by providing military and economic aid, training RVN personnel, and sending U.S. advisors to assist in building the infrastructure for the new government (Chu, 1991; Tran, 1993; Chu, 2004; Bui and Nguyen, 2006). It is useful to have an overview of the political and economic context of the RVN.

4.4.3.1 The political and economic context

Duiker (1983) observed the nature of the support of the US to the RVN State that it was “...committed to stabilizing the situation in South Vietnam in an effort to create a viable state that could halt the further expansion of communism in Indochina” (p. 50).

Tran (1993) observed that:

After 1954 came the nationalization of all private industries in the North, and in the South, French capitalists gradually withdrew their investments. Most of their enterprises were forcibly sold to the Saigon government or allowed to operate only as joint public or private companies. Only a small number of French factories producing beer, alcoholic and soft drinks, and cigarettes remained in operation (p. 64).

From the political point of view, the main objectives of US strategy during their involvement in South Vietnam was to strengthen the RVN to enable it to gradually develop the capacity to defend itself and to demonstrate to the Communists in North Vietnam, as well as to aspiring insurgency movements elsewhere, the US capacity and resolve to prevent successful national liberation struggles throughout the Third World (Duiker, 1983). Thus, dealing with the expansion of the operation and the significant

military victories of the National Front for the Liberation of South Vietnam, run by the Communists, was their main concern.

South Vietnam developed a capitalist economy, nurtured by the US military presence. However, most of the foreign assistance went to military expenditure and infrastructure development. The RVN economy orientated its resources towards the production of consumer goods and services. The private sector had emerged as the key economic driver during the war years, with small and medium sized enterprises producing light manufactured goods dominating industry (Warner, 2004; Bui and Nguyen, 2006; Duckett and Miller, 2006). Bennett (1967) and MPDF (1999) observed that private services and private industrial production existed in the RVN, with services growth rapidly from 1960 to 1964, when they comprised 13 per cent of private consumption and represented about 60 per cent of the economy just before 1975.

Nguyen (1991) also noted that South Vietnam economy before 1975 was already a market economy having close connections with the rest of the world.

4.4.3.2 Accounting practice

Subsequent to the gradual withdrawal by French businessmen to their home country, Vietnamese businessmen moved in to fill this vacuum and many naturalized Chinese businessmen put their capital into their Vietnamese partners' investments. Chinese traders became naturalized Vietnamese as a result of the RVN government (Ngo Dinh Diem government) policies, issued in the Decree 53 in 1956, to limit commercial activities of foreigners in Vietnam, aiming to break the Chinese monopoly of the rice trade and to "Vietnamise" completely the domestic trade. The policies required foreigners, mainly the Chinese, to transfer their businesses to Vietnamese citizens in a given period of time. Thus, the economy was Vietnamised and foreign participation was reduced by the RVN government after the French withdrawal from Vietnam (Tran, 1993).

In respect of accounting, a former high ranking official of Ministry of Education before 1975 stated that:

Accounting used during this period was French accounting (Interviewee 4).

A professor who taught accounting in the RVN recalled that:

The accounting system used in Saigon before 1975 followed the French accounting. Therefore, when teaching accounting at the National Institute of Administration (1969-1971) in Saigon, my colleague and I used the French accounting system, as this was mainly used in the private sector in Vietnam and in the public companies owned by the [RVN] Government (Interviewee 19).

Another interviewee who used to work for one of the Big Four firms in Vietnam noted:

... In Saigon before 1975 [during the American rule], French and Vietnamese companies all used the French accounting system (Interviewee 16).

The evidence suggests that the accounting in the RVN after 1954 remained influenced by French accounting practice. Explaining why the Americans did not bring their accounting practice to Vietnam, a former senior official of the MoF stated that:

There were two main reasons that the Americans did not bring their accounting practice to Vietnam prior to 1975. Firstly, the main objectives of the USA when dominating Vietnam were to strengthen its political and military positions in Vietnam, not to develop the economy of Vietnam. Therefore, the American only brought modern management facilities to Vietnam, not its management mechanism. Secondly, a majority of companies operating in the Republic of Vietnam was from Europe so they used the French accounting to report to their home jurisdiction (Interviewee 2).

The professor who taught accounting in the RVN before 1975 elaborated:

The French accounting used during that time in South Vietnam was in a very simple form, mainly financial accounting which only focused on the accountability purpose. Therefore, the primary objectives of French accounting were to maintain accounting records and to prepare accounting reports to ensure

the accurate recording of accounting transactions, to minimize fraudulence, and to check the compliance with the approved budgets (Interviewee 19).

It is also useful to describe the main features and characteristics of the French accounting plan, known as the Plan Comptable Général (PCG), which originated from the so-called 1942 PCG, and seen as supporting national economic planning and development of national statistics (McLeay and Riccaboni, 2000).

The first nation-wide accounting plan in France, known as the PCG, was adopted in 1947 as a result of the work of the Accounting Standardisation Commission (Commission de Normalisation des Comptabilités). It was seen as a relatively simple national accounting code due to the national shortage of accountants and the limited capacity in the educational and professional training system for raising the supply and level of accounting skills (McLeay and Riccaboni, 2000). This was a concern for the state, given the effect of the shortage of accountants on administration of the expanded public sector and on the management of commercial enterprises receiving state subventions. A simple chart of accounts was created with cost accounting codes autonomous from financial accounting codes as a formal dualism. Cost accounting was made optional in the preparation of financial statements, and the format of the profit and loss statement was prescribed (Richard, 1995a; Roberts, 1998; Parker, 2003; McLeay and Riccaboni, 2000).

The evidence suggests that, although the first national accounting plan in France, known as the PCG, was adopted in 1947, accounting practice in South Vietnam during 1954 – 1975 continued using French budget accounting. This also indicates that the French national accounting plan in 1947 did not have an impact on the existing accounting practice in the RVN during this time. Moreover, training RVN personnel in accounting was not the US's priorities, as their main interests were political influence through military support. It is also noted from an archival material on the US training assistance program to Vietnam during 1954 – 1960 that:

... The major emphasis in the US training [assistance] program was in the field of Education, while the concentration for “third country” training was in Agriculture (Archival records 37, 1964, p. 2).

As a result, the Americans did not provide French accounting training to the Vietnamese. An interviewee commented:

In big companies during French rule, such as companies producing beer, alcohol, beverages, milk, etc. left behind by the French for the Vietnamese, the majority of staff were Vietnamese (Interviewee 16).

The former senior official of the MoF explained:

In addition, those former Vietnamese accounting staff who had been trained and worked for the French were familiar with the way of handling bookkeeping using the French accounting. Therefore, retraining them was not an easy task (Interviewee 2).

An interviewee made a comment on the accounting training situation in Saigon before 1975 that:

At that time, there were no Vietnamese people successfully graduating in accounting in Vietnam. It seems to me that there was no one specializing on accounting. This means that the training on accounting to supply for the work force was very limited. Professors on accounting during this time were mostly those who studied in France and returned to Vietnam to teach and some had worked in the colonial administration in Vietnam (Interviewee 19).

This is consistently noted in an archival material that:

Another factor affecting future industrialization was French domination of finance, industry and commerce... Vietnamese found relatively few opportunities to acquire experience in these fields, and rarely rose to responsible positions in the foreign-owned firms... Further, relatively few Vietnamese received technical training, either in France or Vietnam (Archival records 38, 1960, pp. 2-3).

So, the question is how was the training provided to enable the Vietnamese to conduct book-keeping using French accounting in the RVN? An interviewee who worked as a tax auditor in the Saigon Government before 1975 recalled that:

I learnt French accounting before 1975 from those Vietnamese who had studied accounting in the French commercial schools (such as Haute Etude Commercial, Ecole Supérieur de Commerce) and returned to Vietnam to work and teach (Interviewee 16).

Another interviewee who taught accounting in the RVN before 1975 elaborated that:

After getting my Doctoral Degree in Business Administration (DBA) from the University of Southern California, I returned to Vietnam to teach accounting at the National Institute of Administration (Saigon), the College of Economics and Business Administration of Minh Duc University (Saigon), and the College of Politics and Business Administration of Dalat University (Dalat). During 1954 – 1975, the French accounting was translated into Vietnamese by my colleague and the materials were used to teach in Saigon (Interviewee 19).

The National Institute of Administration was the government's training school for civil servants in Saigon (Archival records 41, 1960, p. 55). The evidence suggests that Vietnamese accountants or book-keepers equipped themselves with knowledge on French accounting practice to enable them to work in companies in the RVN. In other words, the Americans did not contribute to accounting training for the Vietnamese during their rule.

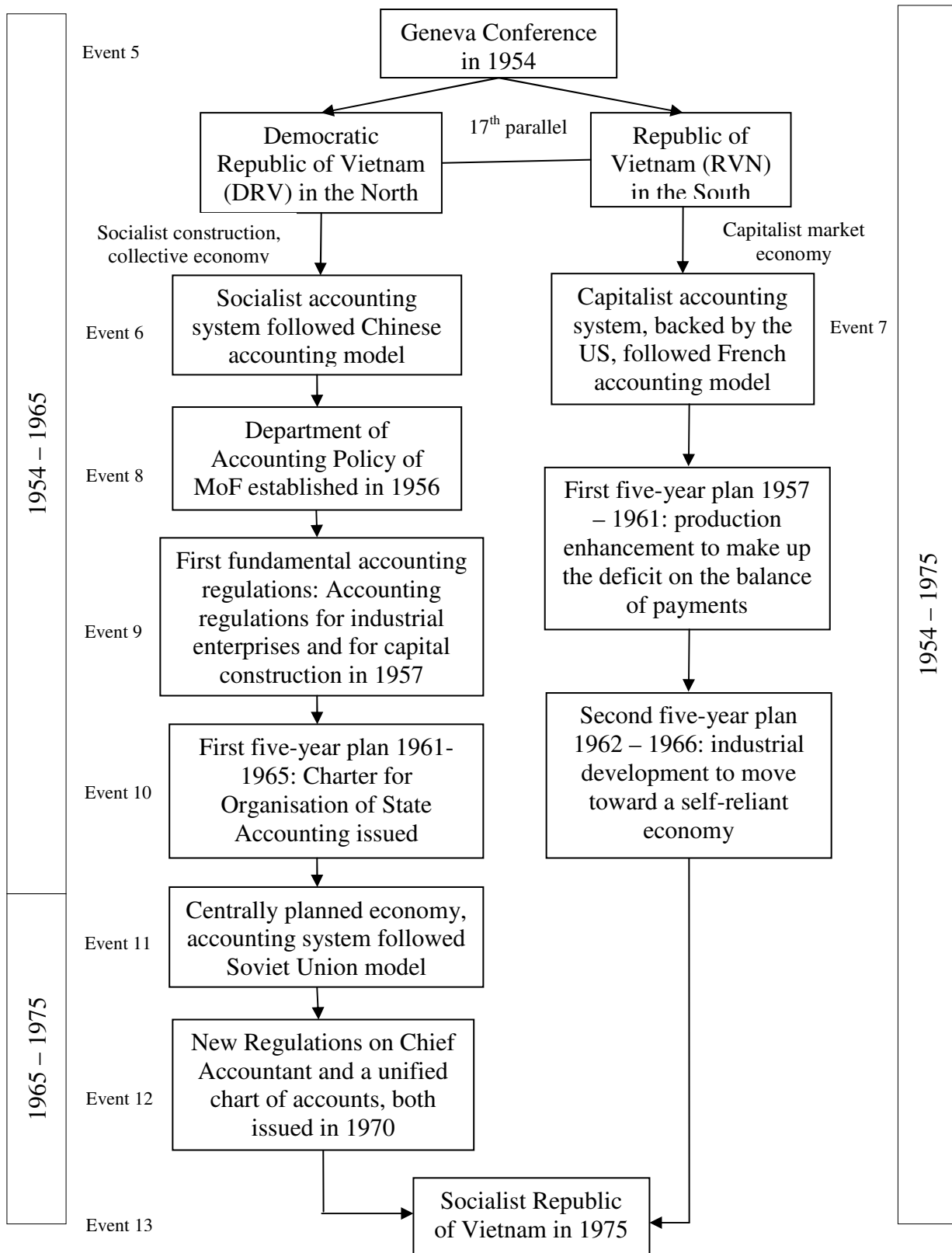
In the RVN, during 1954 – 1975, the private sector was the key economic driver. However, no law defining the accounting and auditing system for private enterprises was established by the RVN State. The RVN government's authority and hierarchical control was seen to be weak, as it was heavily influenced and directed by the US. Any accounting system or practice in the RVN State was entirely a continued application of existing French rules – budget accounting. There was no evidence indicating that there

was an indigenous accounting system and that a market for accounting services such as auditing and accounting practising existed in the RVN during 1954 – 1975.

The DRV and the RVN economies had one important characteristic in common – they both relied heavily on foreign aid. Thus, accounting practices of the DRV and the RVN were influenced by the economic environments, socialist and capitalist respectively. This situation is arguably unique in Vietnam before its political independence in 1975, compared to other Southeast Asian countries.

The following chart (Chart 4-II) provides an overview of major events in the DRV and the RVN during 1954 – 1975:

Chart 4-II – Major events in the DRV and the RVN accounting development during 1954 – 1975:



The discussion on the development of accounting in the unified Vietnam after 1975 corresponding with political and economic development now follows.

4.5 Period 3: From 1975 – 1985 (the Socialist Republic of Vietnam)

4.5.1 The political and economic context

The country was politically unified in 1975 and proclaimed as the Socialist Republic of Vietnam (SRV) at the end of the war. With the VCP's commitment on pursuing a fundamentally socialist path for the entire country, the government faced the task of unifying and building a socialist economy upon two war-weary economies, but based on very distinct economic systems – a capitalist economy driven by market forces in the South, and a socialist centrally-planned economy in the North. The task, therefore, was to continue socialist construction in the North and transform the South's capitalist economy to a socialist economy (Thayer, 1976; Harvie and Tran, 1997). However, these two economic systems were not well designed to achieve growth. The South capitalist economy was heavily distorted by the need to service a large foreign military force [the US]; while the North central planning economy was primarily to mobilise resources for the war effort (Griffin, 1998).

Duiker (1983) further noted that:

The new revolutionary authorities directed that all businesses [in the South] remain in operation and promised that profits would be guaranteed. Banks, utilities, and a few major firms were nationalised. The property of wealthy entrepreneurs was confiscated... The government's ultimate objective was to restore the South to its traditional position as breadbasket for the entire economy, while the North would assume the lead in [heavy] manufacturing (p. 106).

Harvie and Tran (1997) cited the Political Report of the then General Secretary of the VCP, Truong Chinh, at the Political Consultative Congress on National Reunification on 14 November 1975:

... to level step by step the economic and social differences between the two zones, the South must gear its private and capitalist economy towards business activities beneficial to national interests; gradually transform the private capitalist industry and commerce, agriculture, handicrafts and small trade along the socialist line and set up the economic sectors under the state and collective management or under joint state-private management (p. 34).

Duiker (1983) described the joint state-private management in enterprises that ‘private firms agreed to accept a degree of government involvement in decision making and ownership in turn for state subsidies and easy access to raw materials’ (p. 102).

A political decision was made by the Government of Vietnam in the Constitution in 1980 to move directly to the building of socialism, bypassing the stage of capitalist development, and building a society with modern industrial and agricultural economy (The Constitution, 1980). Corfield (2008) elaborated:

... In 1980, the Vietnamese National Assembly adopted the country's third constitution. It was largely based on the Constitution of the Soviet Union and stated that the SRV would remain a one-party state and that the Communist Party had the role of representing the people and running the country (p. 110).

Although the Vietnamese political system was significantly more diverse than the regimes of either the Soviet bloc or China, Vietnam followed the development strategy of Soviet industrialization, which emphasized heavy industry, especially energy, as a primary task in its economic development (Gough, 1982; Nguyen and Pham, 1997). Socialist transformation was characterized by collectivisation and nationalization of urban and rural means of production (Vietnamese Government Report, 1985; Dong, 1988; Lin and Koo, 1991; MoF, 2001a). Heavy industry development in the SRV in this period included the production of coal, iron, machinery and hydroelectric power with an improvement of the transportation and communications networks to serve the development of agriculture, forestry, fisheries and consumer goods (Duiker, 1983; Vo, 1990). It was also one of the priority tasks in the second Five-Year Plan 1976 – 1980 set

by the Government, aiming to implement the socialist industrialisation (Vietnamese Government Report, 1985; MoF, 2001a).

It is worth noting that this second Five-Year Plan was originally drafted by the DRV after the Paris Agreement in 1973, to undertake economic construction in the North. However, because of the intervention of the increasing needs of the war in the South by 1965 and until the end of the struggle in 1975, economic development took second place to the war effort. Therefore, the second Five-Year Plan was not approved by the VCP until 1976 (Duiker, 1983). As a result, the socialist industrialization policy of the second Five-Year Plan was the direct continuation of the policy implemented during the first Five-Year Plan (1961 – 1965) in North Vietnam (Vo, 1990).

The SOEs simply played the role of production units carrying out the state's economic plans. Government authorities provided all capital and funds for enterprises' operations and collected all of their profits. Business management had little power in operational decision-making. Nguyen (2009) explained about the definition of SOEs in Vietnam:

The term 'state-owned enterprise' or SOE has only recently been used [in Vietnam] since the start of economic reform. During the period of Soviet-style economy [before 1975], SOEs were called nha may (factories). Nha may means literally a home (nha) which houses machines (may) (p. 76).

It would be useful to describe the nature of SOEs in Vietnam. Clarke (2004) observed that most of the SOEs in Vietnam were controlled by provincial or district governments. Those SOEs with larger and more capital intensive are controlled by central ministries in Hanoi or the Office of the Prime Minister.

Fforde and Vylder (1996) described how the central planning system operated in Vietnam:

Capital resources were supplied by the state to SOEs in order to produce a certain product. These resources were essentially supplied free. Each unit was managed by a level of the state bureaucracy (a ministry, if centrally-managed; a

provincial or city department, if locally-managed) that allocated labour to it. The unit was then given a regular production target, in quantity terms, and in order for it to meet this target it was provided with levels of current inputs calculated on the basis of simple arithmetic norms. These inputs were supplied directly to the unit by the state, and its output was also supplied directly to the state. The unit was there essentially to produce for the target, and with almost no freedom to choose either what it produced or who it produced for, the unit had little interest in either the value of what it produced or the real costs involved in doing so. It was also not allowed to seek out better suppliers of its inputs. In this way the planners maintained central control over resources and could hope to ensure that they went to priority areas (p. 58).

Micheline and Nguyen (2007) consistently noted the passive role of directors of SOEs and the absolute role of the State:

Managers in SOEs had little or no managerial autonomy. The State was the only funds and resources provider for companies and controlled investment and operation decisions. The company had to comply with a preset production quota. Products were sold to the State, at prices determined by the State. The government also fixed companies workers' and managers' salaries. All profits had to be yielded to the State, and all losses, which occurred most of the time, were covered by the State (pp. 6-7).

With reference to the Puxty *et al.* (1987) organising principles, the state took over central planning and administrative direction of the economy and therefore, the state continued to be the market and community for accounting during this time. Nguyen (2009) noted that finance and accounting functions in SOEs were nominal because of the absence of market price mechanisms. The unified Vietnam had the characteristics of the highly centralised command economy: the state held the ownership, the right of use, and the distribution of all means of production and carried out rigid economic planning and control from the highest level to grassroots (Le, 1989; Fforde, 1993; Van Arkadie and Mallon, 2003). Accordingly, accounting was highly regulated and under direct

government control, and was created as a tool to facilitate centralized economic planning and control, aiming at serving directly various administration needs of the government.

However, the implementation of the second Five-Year Plan in developing the national economy was unsuccessful due to the consequences of war and the shortcomings in management and leadership. This led the country into a macroeconomic crisis in the late 1970s (Harvie and Tran, 1997; Bui and Nguyen, 2006). Thus, the government had to reconsider its approach and change its attitude towards economic reconstruction. It did so by officially acknowledging the legitimacy of individual interests alongside those of collectives and society, and encouraging the application of private initiatives in producing and circulating commodities not under state control. These initial trends toward reform were further elaborated in the third Five-Year Plan from 1981 – 1985. Under this Five-Year Plan, private enterprises were given greater latitude to operate independently of the State (Harvie and Tran, 1997).

Tran (1996) noted the initial steps of the reforms in the third Five-Year Plan as follows:

- the modification and adjustment of management mechanism aiming at reducing the degree of bureaucratic centralism in the planning practice;
- the freedom given by the Government to SOEs in procuring their inputs and marketing their products through direct relations with suppliers and consumers;
- the official recognition of the private economic sector in which farmers were allowed to sell their cultivation and livestock products on the free market and traders and handicraftsmen were able to conduct their business legally; and
- the abolishment of state subsidies.

Nevertheless, little or no economic growth took place as the highly centrally-planned economic model was characterised by insufficient economic structure, massive and unplanned development of the state economic sector, the acceleration of heavy industry, biased towards large-scale production and a denial of market laws (Tran, 1996).

As part of the implementation of the third Five-Year Plan, there was a transition from the centrally-planned economic system to a “three-plan” system for industry sectors, which was launched in January 1981 (Le, 2003). This is consistent with an archival record:

Plans of an enterprise consisted of three parts: part A is to produce goods with materials supplied by the state, part B is to allow SOEs to source materials for production, and part C is to allow SOEs to source materials and produce additional goods and sell them to the market (Archival records 11, 1981, pp. 1-2).

The three-plan system gave a certain degree of decentralisation of decision-making to the enterprises in inputs and outputs management. Apart from producing goods for the state (plan A), SOEs were allowed to procure inputs outside the state plan and sell the output to the state and also sell the surplus output on the parallel market (plan C) (Leung and Riedel, 2001). This was regarded as an important step in enterprise reform by allowing managers at enterprises to have more autonomy (Riedel, 1995; Vu, 1995; Van Arkadie and Mallon, 2003), and ‘well before most other socialist countries’ (Fforde, undated, p. 290). It enhanced greatly the market-oriented behaviour within state enterprises (Vylder, 1995).

In addition, the contract system was also introduced in the agricultural sector during the implementation of the third Five-Year Plan (Van Arkadie and Mallon, 2003). This system was briefly explained as follows:

Farmers were allowed to contract out a certain amount of land from the cooperative, although they had to pay a certain amount of output for using that land. Farmers now worked both for the cooperatives and for their ‘private’ lots (Nguyen, 2009, p. 81).

However, the third Five-Year Plan was not successful. Fforde and Vylder (1996) observed the reason:

Attempts at macroeconomic stabilization relied upon an ability to enforce state monopolies and direct resources into exports and agriculture by administrative command that lacked the requisite power and authority (p. 137).

In socialist countries, the functions of accounting correspond to the evolution of the socio-economic system (Jaruga, 1996). The same is true in Vietnam. In order to meet the economic restoration requirements and build socialism over the entire country, a unified accounting system was required to suit the new conditions (MoF, 2001a; Nguyen, 2005a). The following section will examine the development of accounting during 1975 – 1985.

4.5.2 Accounting practice and development

Laughlin (1995) argues that “... from a theoretical perspective the “medium” position is arguably a more realistic depiction of the social and technical nature of accounting systems design. As is now well recognised, in both the “economics” and “behavioural” wings of accounting research, accounting practices are not some technical, context-free phenomenon.” (p. 82). Accounting practice in the state sector was developed in Vietnam’s political and economic context and examined in the following sections.

4.5.2.1 The second Five-Year Plan (1976 – 1980)

Vietnamese accounting in the planned and centralized economy of the SRV after 1975 had characteristics of the Soviet model. Brzezina and Jaruga (1988) noted that special features of accounting in a centrally-planned economy include the complete uniformity of accounting. They further elaborated:

The uniform chart of accounts, financial statements and assets’ valuation are based on the principles, standards and rules of accounting (p. 53).

Moreover, McGee and Preobragenskaya (2006) observed that statistical information collection was one of the major functions of Soviet accounting. For instance, the data was only summarized, not consolidated. Accounting information formed the basis for control and execution of the plan and as an indicator for the development of future plans. Safety

and controlling of assets which belonged to the state was the secondary function of accounting. The main function of an accountant was actually to make entries and fill in registers, which were of a book-keeping nature. Every step of this process was described by numerous and detailed instructions. As such, unification was one of the basic principles of accounting under the centralized Soviet system. As a result, strict control and monitoring was exerted by the authorities over business activities and financial performance. Enterprises were monitored on how well they managed their assets, used the factors of production, and complied with norms regulating the amount and composition of current assets. Apart from that, control also extended to the production of goods and services, the cost of production, and financial profit and its use (Enthoven, 1999).

In Vietnam, detailed instructions are documented in guidance circulars issued by the MoF. Accounting functions in Vietnam had the same characteristics as that of other socialist countries, such as Poland, the Czech Republic, China and Hungary, where the MoF took direct control over accounting through the creation of an obligatory uniform accounting system to be used in all enterprises (Jaruga, 1988, 1993, 1996; Borda and McLeay, 1996; Zelenka *et al.*, 1996; Krzywda *et al.*, 1996). Also, similar to other socialist countries, the MoF is the government authority responsible for the development of accounting policies in Vietnam. On behalf of the MoF, the DAP works closely with the Central Statistical Administration as well as the State Planning Commission in administering accounting by issuing various accounting regulations and instructions (Ash and Strittmatter, 1992).

Yang and Nguyen (2003) noted the key role of the MoF in Vietnam that:

The chart of accounts as well as accounting methods, financial reports, initial records, budgeting and accounting books were all prescribed by the MoF (p. 176).

A former senior official of the MoF recalled that:

Subsequent to the country reunification in 1975, the Government brought the unified accounting system applied in the North to use in South Vietnam, and assigned accounting officials from North Vietnam to South Vietnam to train Southern accounting officials (Interviewee 3).

This is consistent with the archival records which have been found that:

The key task of the DAP was to implement the application of the unified accounting system in South Vietnam after independence. Accounting training classes were attended by 400 – 500 participants, offering continuously in South and Central Vietnam (Archival records 2, 2007, p. 9).

Therefore, after independence in 1975, accounting regulations were issued in Vietnam to mainly include amendments to the unified accounting system in the Decision 425 in 1970, applicable to the entire nation. The regulations and amendments were then issued periodically to address new requirements of the country as they arose. For example, the MoF provided guidance on the implementation of the accounting system by sectors such as accounting for state enterprise alliances, accounting for private industrial and trading businesses, accounting for agricultural cooperatives; and by objectives such as accounting for fixed assets, accounting for tools and equipments, accounting for borrowings, cash deposit at bank in foreign currency, and accounting for labour and salaries, as shown in Figure 4.6 below.

Another former senior official of the MoF stated that:

As accounting was used as a tool of the State in its economic management, it was of the compulsory nature. Accounting was used to manage funds, capital, assets and other benefits of the State in the national economy in which consisted of the public sector as the only one sector (Interviewee 2).

Also, the MoF noted in its publication:

In the years after South Vietnam liberation and early 1980s, the economy was extremely difficult as a result of the backward agricultural economy, the serious

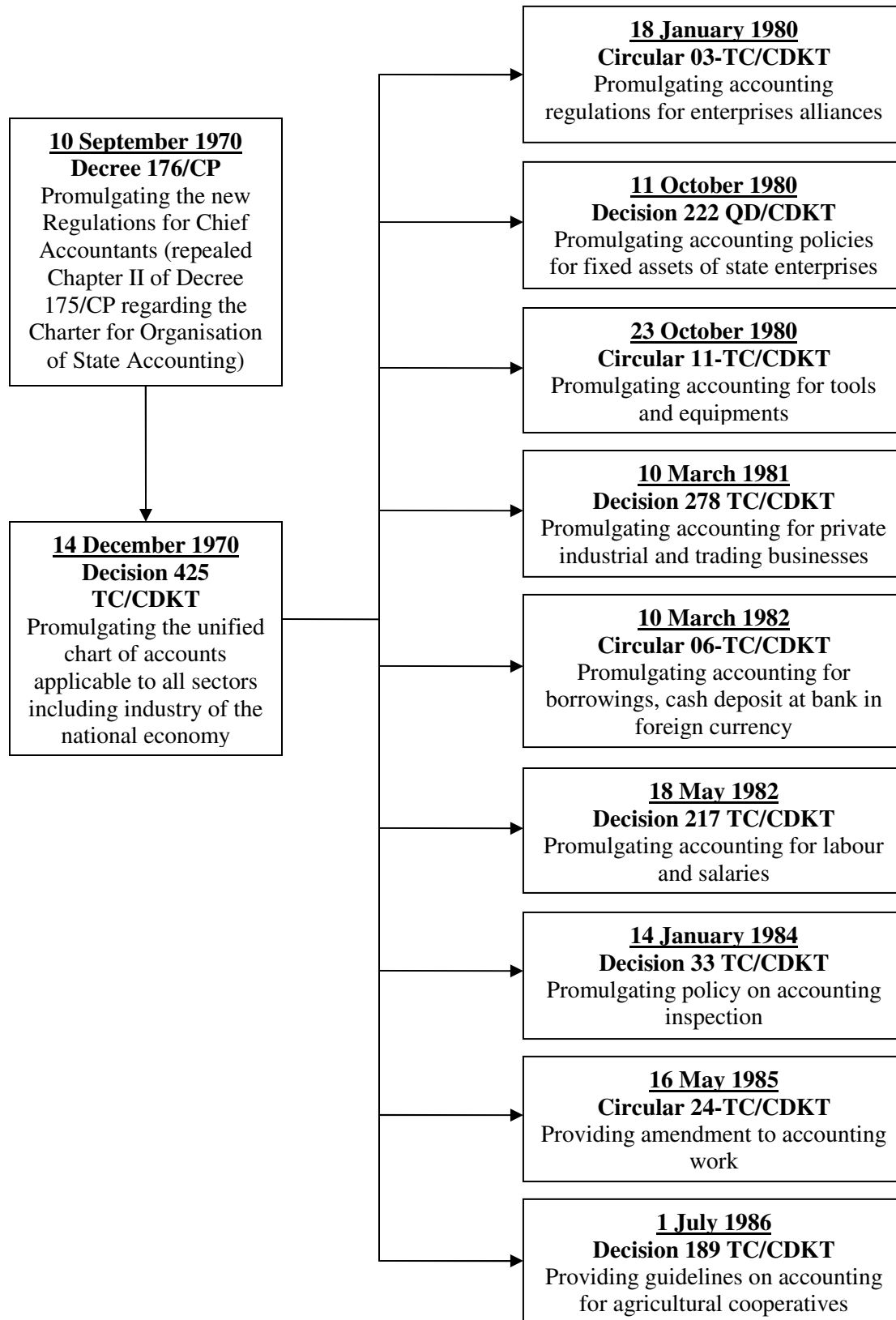
devastation of industrial and transport units in North Vietnam by the war, the reduction of foreign aids, and the long existence of the subsidised management mechanism. The accounting system developed in 1970s (regarded as a modern one) was no longer suitable to the economic conditions of the country (MoF, 2001a, p. 11).

Spoor (1988) cited a statement made by a senior economist and also vice-chairman of the economic department of the VCP's Central Committee about the SRV state finance that:

The profit and loss accounting system still lacks the necessary premises and conditions and, consequently, has failed truly to direct and promote the reckoning of economic efficiency, nor have the economic levers been applied in a sound and uniform manner during the process of drawing up and implementing plans and, as a result, their effects are still very limited (p. 117).

Therefore, the major accounting regulation during the period of the second Five-Year Plan (1976 – 1980) was the Decision No. 34 TC/CDKT issued by the MoF on 24 October 1975, providing amendments and supplementary to the unified accounting system, applicable to economic sectors in the entire country. The amendments included the change of name of certain accounts classification and sub-accounts, such as deficit assets account and its sub-accounts, returned goods account; and opening of new accounts such as payment by other distributed funds, payment to employees, and account on other distributed funds (Archival records 10, 1975; MoF, 2001a). Subsequently, a number of regulations were also issued. The following Figure 4.6 provides an overview of these accounting regulations during 1975 – 1985:

Figure 4.6 – Accounting regulations during 1975 – 1985



Source: MoF, 2001a; Adams and Do, 2005; Nguyen, 2005a

It can be seen from the above figure that corresponding with the state's political and economic policies in acknowledging the private sector in the economy, apart from the state and collective sectors, accounting regulations were also issued by the MoF to guide the activities of the private industrial and trading businesses. The private sector was officially recognized as part of the first step of the decentralisation, as Nguyen and Eddie (1994) noted, in various economic fields including agriculture, small industry and retail trading. The industrial SOEs sector was given significant investment by the government, with 21.4 per cent of total investment spending on heavy industry increasing to 29.7 per cent in 1980 (GSO, 1980; Vu, 2002).

The evidence reflects the hierarchical control of the state, in that the VCP determined the implementation of five-year plans, the government launched the industrial three-plan system which gave a certain degree of decentralisation of decision-making to SOEs, and the MoF issued accounting regulations to enable the state to manage the national assets and for economic planning. Despite the return of peace, for over a decade the country experienced little or no economic growth because of conservative leadership policies. Nevertheless, the MoF issued accounting regulations to meet the requirements of economic and financial management of the State. Having characteristics of the socialist system and the centrally-planned economy, with reference to the Puxty *et al.* (1987) organising principles, the state continued its dominance and started to create more room for the market to be established and operated. In other words, the state was prepared to be separate from the market.

Similar to the situation in China (Zhou, 1988), Vietnam did not have a set of consistent and coherent accounting theories for the guidance of practice and for the resolution of practical issues in this period. There are a number of reasons for this. Firstly, the lack of knowledge of modern management science and technology had caused administrators and regulators to pay little attention to the economic management of SOEs or their accounting practices, as they perceived accounting as a relative insignificant practice.

Secondly, the influence of economic and political system in Vietnam in the centrally-planned economy treated the entire national economy as a single economic entity. All of the production targets of the enterprises, the distribution of their products, the assignment of their staffing, the allocation of their supplies and equipment, and the take-over of their profits as well as subsidization of all of their losses, were set by the state. As a result, there was no incentive for the directors of state enterprises to make use of accounting information for decision-making, as their main responsibility was only to fulfill the tasks assigned to them without much concern for the effectiveness of the use of resources. This system was the same as that in China and the Soviet Union (Ge and Lin, 1993; Guvemli and Guvemli, 2005).

Thirdly, the influence of the Soviet model had a significant impact on political and economic policies of the country in general and on Vietnamese accounting in particular. As the Soviet Union was a centralized economy, great emphasis was placed on the need for more detailed and concrete accounting regulations, which gave rise to accounting information processing.

4.5.2.2 The third Five-Year Plan (1981 – 1985)

As discussed earlier in this Chapter, during the implementation of the third Five-Year Plan (1981 – 1985), while the state sector remained its leading role, private industry and trade were not restricted as they were in the second Five-Year Plan (1976 – 1980). Accordingly, major accounting development included the issuance of accounting for private industrial and trading enterprises and accounting for agricultural cooperatives.

The significant development during the third Five-Year Plan included the promulgation of the Three-Plan system to industrial SOEs as discussed above. Vo (1990) noted that, at the Sixth Central Committee Plenum, the Council of Ministers [the Government today] issued Directive No. 156/HDBT dated 30 November 1984 regarding the improvement of state management. Economic accounting was addressed in this Directive. Also, the MoF was required to create conditions for state-run enterprises to fully implement their

financial autonomy and also to secure sufficient capital for their production. Vo (1990) further observed that:

All economic establishments must be accountable for their own profits and losses, and all subsidies for irrational losses in production... paid from the State (central as well as local) budgets must be terminated. Subsidies for losses may be paid only on a case-by-case, and temporary basis... Following the Eighth Plenum's decision, the Council of Ministers issued on 23 December 1985 a Directive which required that the management of all public industrial enterprises should be based on actual prices and be profitable (pp. 143-144).

A former senior official of the MoF recalled that:

The economy was shifted from the centrally planned economic mechanism to the "three-plan" economic system [Plans A, B, C], in which enterprises would comply with the State regulations, specialised their production, and freely decided on their production outside of their main line (Interviewee 2).

This is consistent with the Archival records 11 (1981) noted above.

The government's directions in economic development created a basis for accounting to play an important role in helping the state in overseeing the efficiency and effectiveness of economic entities in the economy. Nguyen and Pham (1997) observed that:

A major feature of the accounting system was that its application was subject to variations across different types of enterprises. All enterprises must adhere to a common basis chart of accounts, which consisted of four major categories, namely a) sources of funds; b) applications of funds; c) revenues, and d) losses and expenses (cited from Nguyen and Eddie, 1994). However, the ways in which these categories were further divided and sub-divided and the ways in which the detailed subsidiary accounts were kept varied considerably between enterprises in different sectors of the economy, such as industry, construction, agriculture, or

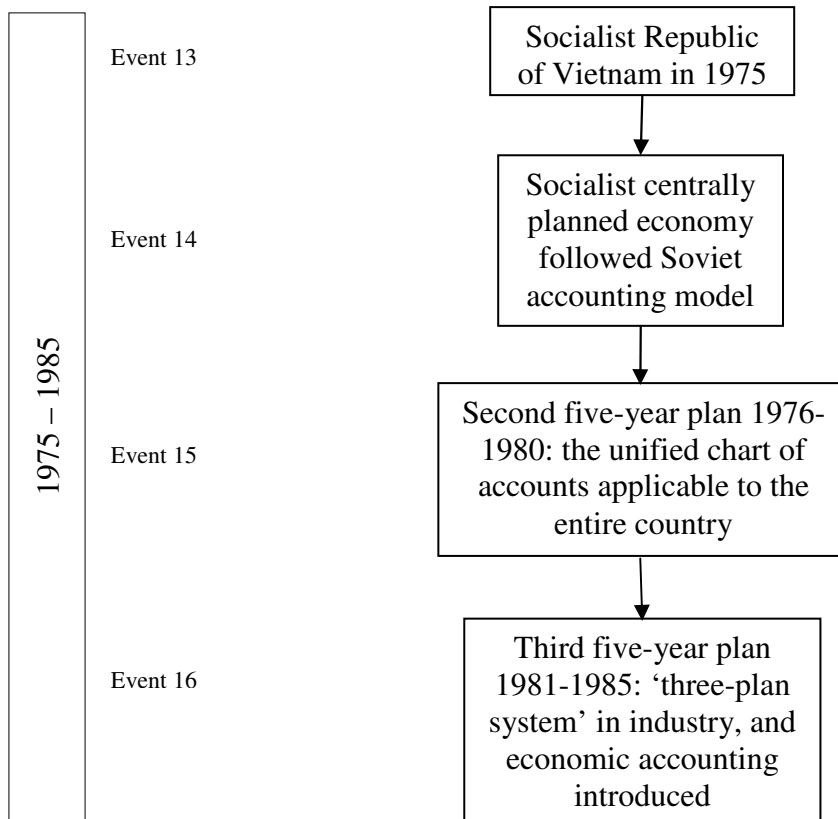
administration. Within agriculture itself, accounting systems for state-owned farms were different from those operating in cooperative farms (p. 423).

This is a further evidence of Soviet influence on the Vietnamese accounting system in this period. In addition, evidence from archival records in Vietnam indicates that there was no central audit and supervision of the implementation of the production plans of enterprises as assigned by the State. Those government ministries or agencies which assigned the plans would be responsible for monitoring the business performance of enterprises, based on reports made by directors of SOEs and in consultation with relevant agencies to the concerned sector and local authorities. These government ministries or agencies which assigned the plans could conduct on-site inspection if required (Archival records 27, 1986).

The evidence also suggests that the state entrusted the accountability to directors of enterprises in ensuring the fulfillment of assigned plans, as well as the truthfulness of reporting information. It can be argued that in a centrally-planned economy, the need for independent audit was minimal. The main objective was that enterprises would only be profitable and there was no need to disclose their financial information to the community. As such, there was no market for accounting services. Accounting activities were mainly focused on recording and reporting information for statistical and tax collection purposes. Also, there is no evidence indicating that there was an indigenous Vietnamese accounting profession, as in Western countries, existing in Vietnam before 1986.

The following chart (Chart 4-III) provides an overview of major events of accounting in the SRV during 1975 – 1985:

Chart 4-III – Major events of accounting development in the SRV from 1975 – 1985



In summary, in the period of pre-economic reform, the accounting regulations issued in the 1970s followed the Soviet Union model and failed to meet the country's economic conditions during peacetime. The requirements on the reform of fundamental tools and approaches on economic and finance management, including accounting and statistical tools, were urgent as one of premises for economic reform towards a market economy.

It is also useful to briefly note professional accounting training in Vietnam from 1975 – 1985. The period from 1975 – 1985 was regarded as a pre-Doi Moi period in Vietnam, during which there was no formal educational or training requirements for eligibility to practise accounting or auditing. This had even applied to the position of chief accountants in many SOEs. Membership of the Party had been a prerequisite for attaining a position of such authority (Nguyen and Pham, 1997).

Vietnamese accounting in this period was influenced by Soviet accounting, through technical assistance such as sending Soviet accounting specialists to work with Vietnamese accounting counterparts on setting up and revising the existing accounting

system, and by training assistance such as having Vietnamese students study in the Soviet Union. Raffin (2008) noted Marr (2003)'s observation that more than 70,000 Vietnamese specialists were trained in the Soviet Union between 1955 and 1985. They included scientists, engineers, military officers, university teachers, and state officials.

Being a member of the Party was one of the criteria on which chief accountants were appointed. Moreover, the state continued its dominant role in the development of accounting across the country as well as the appointment of chief accountants in SOEs. For that reason, it can be argued that they were all public servants, and the state was also a community for accounting, through the appointment of chief accountants in SOEs.

4.6 Summary

In summary, this Chapter has provided an historical study on the development of accounting practice in Vietnam, with a particular focus on the role of the state on that development, prior to Doi Moi in 1986, corresponding with the country's history and political and economic development. It is argued that the state played a predominant role in regulating and controlling accounting practice, and was the market and the community for accounting. This suggests that there are no conflicts and/or contradictions between the state, the market and the community. This differs from the case in four advanced capitalist countries studied in Puxty *et al.* (1987) work in which the three organizing principles conflicted to each other.

Three periods have been examined from a political and economic perspective accompanying the accounting directives issued in these periods.

Firstly, during the colonial rule 1858 – 1945, the French colonial powers controlled all major aspects of the colony, resulting in the weak state and the absence of market and community for accounting. The state surrendered its authority to the French. As such, they directly managed accounting work and made little effort to train Vietnamese who worked in their businesses in Vietnam. The French set up budgets which enabled them to exercise central control of revenues from tax collection and export earnings and expenditures of the colony's operations. Therefore, the market and community for

accounting in Vietnam were absent. The French accountancy profession did not have a tradition of becoming involved in colonial outposts, as did the UK-based ACCA. Therefore, the French influence on accounting in Vietnam during their domination was minimal.

Secondly, during the war years 1945 – 1954, there was no significant development of economic or accounting in Vietnam, as the country's resources were entirely engaged in the war of resistance against the French. During 1954 – 1975, the country was divided into two sovereign states, namely the DRV and the RVN, with two very different political and economic systems, subsequent to the defeat of the French at Dien Bien Phu and the signing of the General Accord at the Geneva Conference of 1954. The newly-independent DRV state played an influential role in regulating accounting, based on the Chinese and Soviet accounting models, to serve the socialist economy. As the state centrally managed the economy, using accounting as a tool, it was also the market and community for accounting.

The evidence indicates that the Chinese influenced accounting in Vietnam from the mid 1950s to the mid 1960s, through the adoption of Chinese industry accounting and the training of Vietnamese personnel on accounting and other skills which would assist in building a new socialist Vietnam. The evidence also suggests that the Soviet influence on accounting in Vietnam in subsequent periods was through the use of the philosophy of Soviet accounting in respect of accounting and statistics combinations, and the provision of accounting expertise to Vietnamese personnel via training programs and technical assistance. Most importantly, the influential role of the state in the development of accounting in Vietnam resulted from the appointment of an MoF official, who was regarded as an expert on Soviet accounting, to be the then Director of the DAP of the MoF and to lead the development of the DRV accounting.

The RVN government in the South was dependent on US military support. However, limited attention was paid to accounting development by neither the RVN government nor the US government; thus French accounting remained in practice during the

American rule. There was no evidence indicating that there was an indigenous accounting system, nor a market for accounting services existing in the RVN during 1954 – 1975.

Finally, during 1975 – 1985, the VCP's direction was to continue pursuing the socialist path, through the implementation of five-year plans. Accounting regulations were changed periodically, corresponding with changes in the government's political and economic policies. The SOE sector was the dominant sector in the economy as a result of the introduction of the state ownership of all production means. The need for independent audit in the centrally-planned economy was minimal. The main objective of SOEs was only to be profitable, and there was no need to disclose their financial information to the community. As such, there was no market for accounting services. Accounting activities were mainly focused on recording and reporting information for statistical and tax collection purposes. An indigenous Vietnamese accounting profession, as in Western countries, did not exist in Vietnam before 1986. The state continued its dominance, being both the market and community for accounting.

Nevertheless, a market economy has been introduced to Vietnam and the country has been integrating with the world economy. This suggests that more influence from the market and community are likely to be added in the process of regulating accounting post-1986, during which the country has implemented the open-door policy and Doi Moi program. The development of accounting in Vietnam in the transition economy will be examined in the next Chapter.

The following Table 4.3 summarises one of the main differences between French, Chinese and Soviet accounting used in companies before 1975:

Table 4.3

French accounting	Chinese accounting	Soviet accounting
<u>General journal accounting:</u> transactions were recorded debit and credit entries by order of time into a general	<u>Loose-leaf accounting:</u> transactions were recorded debit and credit entries by order of time, but in	<u>Journal voucher accounting:</u> the journal voucher accounting book recorded credit side only of accounts,

French accounting	Chinese accounting	Soviet accounting
journal book and a ledger daily	individual leaves which formed a monthly journal at the end of a month. The ledger under the loose-leaf form was maintained monthly and very long; hence, difficult to file	not debit side of the accounts. A ledger was maintained for the entire year.

Source: Archival records 9, 1972; Archival record 42, 1964

Chapter 5 – Accounting development in the transition economy from 1986 to 1997

5.1 Introduction

In the centrally-planned economy in Vietnam prior to 1986, the state was the primary and the only user of financial information for economic planning and statistical purposes. This Chapter discusses the role of the state in the development of accounting from 1986 to 1997, when the country was in transition from a centrally-planned economy to a socialist market-oriented economy.

Adopting West (2003)'s definition, the accounting profession in this study refers to the organization of accountants into associations and the identification of their occupational status through professional training for independent auditors and accounting practitioners. As noted earlier, the accounting profession in Vietnam is state-defined and controlled by the MoF. This is similar to the situation in China.

Empirical studies show that professionalization is about closure strategies through entry barriers, professional training, elite groups and professionals' attempts to safeguard or protect their rights, lobbying with the state, and competition between professional bodies (Hammond and Streeter, 1994; Hammond, 1997; Annisette, 2000, 2003; Yapa, 2006, 2010; Susela, 1999, 2010). Sociologically, Larson (1977) defined professionalisation as '... the process by which producers of special services sought to constitute and control a market for their expertise' (1977, p. xvi). However, this is not the case in Vietnam. In this Chapter, the state, market and community principles in the Puxty *et al.* (1987) work refer to accounting regulations, accounting training for practitioners in Vietnam and accounting associations respectively.

This Chapter is organized as follows. Section 5.2 provides the political and economic context of the period examined in this Chapter. Section 5.3 examines accounting development. Section 5.4 describes accounting training for practitioners. Section 5.5

presents the role of donors and foreign accounting firms (Big Six). Section 5.6 outlines auditing activities and Section 5.7 provides a summary of the Chapter.

5.2 The political and economic context

Willmott (1986, p. 556) observed that “the organisation of the profession cannot be adequately understood independently of an appreciation of the political, economic and legal circumstance that have supported and constrained its development”. The following sections provide background understanding of the political, economic and legal changes which had impacted on the development and organization of the accounting profession in Vietnam.

The Sixth Congress of the Communist Party in 1986 seriously reviewed the lessons from the earlier failure of economic management in the centrally-planned economy. Subsequently, it determined to transform the country from a centrally-planned economy into a socialist market-oriented economy under state guidance and to implement the open-door policy with the launch of the economic renovation (Doi Moi) program (Nguyen, 1991; Than and Tan, 1993; Beresford, 2001; Tran, 2003; Bui and Nguyen, 2006).

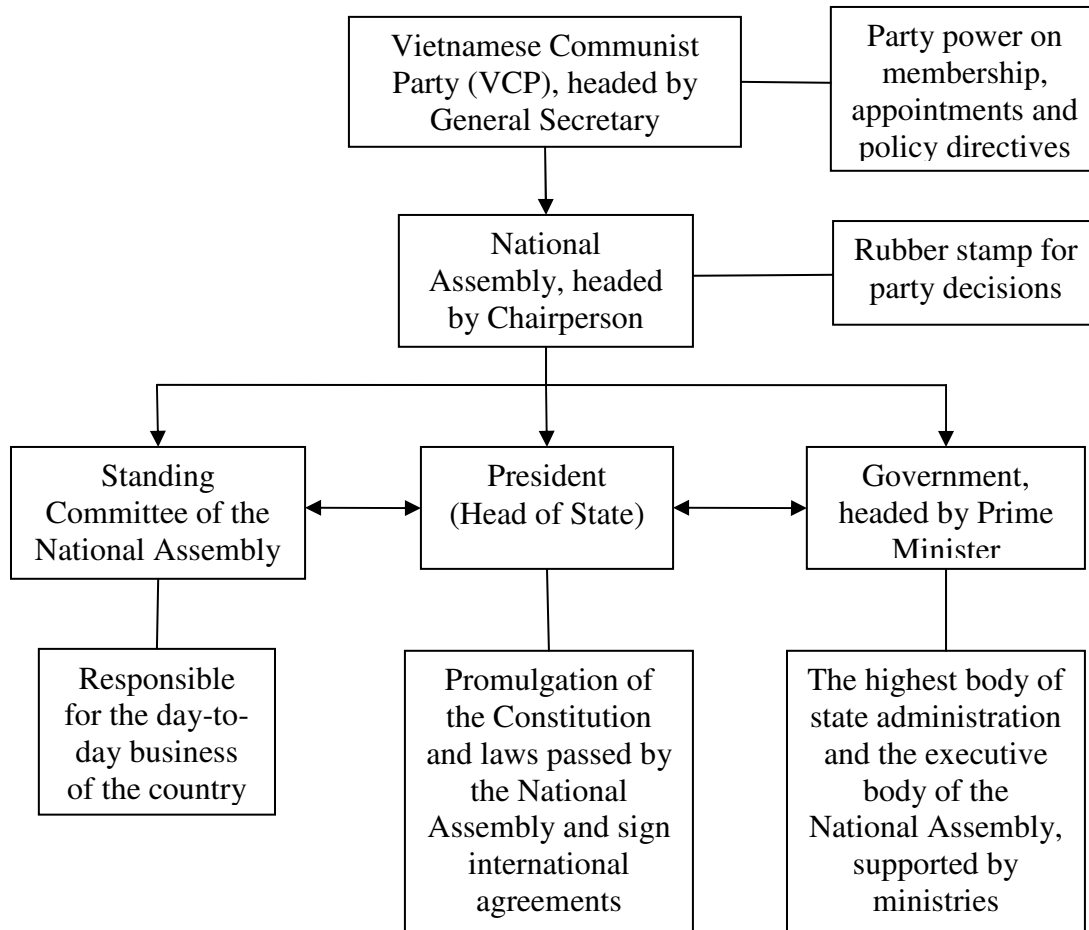
Beresford (2003) observed:

In [Vietnamese] Communist Party ideology the new system is described as a ‘market mechanism with State management and a socialist orientation’ (Vietnam, Communist Party, 1996: 15) (p. 56).

The 1992 Constitution and its amendments describe the characteristics of the socialist market-oriented economy as a multi-sector economy “...with diversified types of production and business organization is based on ownership of the entire people along with collective and private ownership, of which the first two and second are the cornerstone” (The Constitution, 1992, p. 4).

The following Figure 5.1 provides an overview of the change in the political and administrative structure promulgated in the 1992 Constitution:

Figure 5.1 – The political structure promulgated in the 1992 Constitution



Source: The Constitution, 1992

The President of Vietnam is the titular head of state and the nominal commander in chief of the Vietnamese military, chairing the Council on National Defence and Security. As such, the President in Vietnam represents the State of Vietnam in domestic and foreign affairs. The Prime Minister is the head of government, presiding over a council of ministers comprising deputy prime ministers and the heads of ministries and commissions. The National Assembly is the unicameral legislature of the government. All members of the council of ministers come from the National Assembly (McCarty, 2001; Harvey Nash, 2007).

As observed by Vasavakul (1997), in the 1992 Constitution, the political power was shared between the VCP and other political institutions such as the Government and the President of the State. Compared to the 1980 Constitution, the dominant force of the party apparatus had shifted its power base from the traditional Soviet model – namely, direct control through the plan over the exchange relations, the state sector, the rural cooperatives, and foreign economic relations – to a political model appropriate to a market economy (Fforde, 1993). The regulatory process in Vietnam requires that all policies must be approved by the National Assembly. In order to ensure that all advice is coordinated and approved through a central agency, there is in existence a clear set of guidelines and legislation. The Ministries submit a bill to the Government to propose laws or make changes to policies. The Government passes that bill and submits it to the National Assembly for Party approval. The VCP has the final approval or termination rights on the bill (McCarty, 2001).

One of the key elements of the policy changes include the decentralization of state economic management and autonomy to SOEs in making decisions relating to production, distribution and financing; and an acceptance of the private sector as the engine of economic growth (Than and Tan, 1993). It is noted that the 1986 Sixth Congress marked a complete change in the government’s attitude towards the private sector which comprises the non-state sector and foreign direct investment (FDI) sector. The following Table 5.1 shows the share of the FDI sector in the total GDP of the country from 1995-1999:

Table 5.1 – The share of foreign investment sector in the total GDP of the country

Year	1995	1996	1997	1998	1999
State sector	8.4	9.7	8.3	5.0	4.1
Non-state sector	8.7	7.2	5.7	4.3	3.5
Foreign (or FDI) sector	14.9	19.4	20.7	18.1	4.7

Source: Nguyen, 2009, p. 89

It is also observed that the recognition of the private sector, including the FDI sector, is one of the important factors that underpinned the accounting reforms. This will be discussed in Section 5.3.6 in this Chapter.

In essence, the aim of economic renovation was to formulate economic solutions suitable for Vietnam which avoided the mechanistic application of foreign models (Le, 1991).

Vu (1994) also noted that the nature of Vietnam's reforms was not only one of switching from an old model which no longer worked to one borrowed from another country. In fact, by a trial-and-error approach, elements of the old model were discarded and replaced by elements deemed to be more suitable to Vietnam's circumstances, that is, a market-oriented economy under the state guidance. In the process of renovation, the focus of the VCP included economic renovation, creating a breakthrough development to bring the country out of the crisis and stabilising and improving the people's living standards (Nguyen, 2006). Beresford and Tran (2004) observed that:

Flexible statement management of the reform process enabled the Vietnamese state to avoid the consequence, the eventual demise of the party-state, of more oppositional stances taken by Communist regimes in some East European countries. This capacity of the state apparatus to manage the transformation helps to explain not only why the [Vietnamese] Communist Party has remained firmly in power in the post-central planning era [post-1989] but also the continuing dominance of the state sector in economic life (pp. 7-8).

Perhaps these factors explain why the state in Vietnam remained strong despite the failure of socialism in Eastern Europe countries in the late 1980s. Alpert and Sanders (2005) added that:

The collapse of communism in Central and Eastern Europe and the Soviet Union in 1989 through 1991 deprived the Vietnamese regime not only of ideological support but also of major markets and its major source of economic assistance, pushing the country to the brink of disaster. This new crisis forced authorities to

expand the reform program after March 1989, reorienting the economy toward ASEAN and the West (p. 38).

The economic reforms in Vietnam as noted by Leung and Riedel (2001) achieved some encouraging results, so:

Between 1991 and 1997, real GDP grew at between 7% and 9% p.a.; inflation remains mostly in the single digits; export grew at an average rate of around 30% p.a.; and foreign direct investments flooded in at a rapid rate (p. 11).

As a result of the political and economic changes since the implementation of economic renovation, the accounting reforms in Vietnam had the mandate to proceed. The role of accounting in Vietnam has changed from only serving the dominant sector in the economy, the state sector, in its planning and control needs and meeting the information needs of the state in the centrally-planned economy, to one of serving the stakeholders including the government authorities and enterprise directors in a market-oriented economy.

5.3. Accounting development

Similar to most former socialist countries which have undertaken radical reforms in political and economic affairs, Vietnam has also carried out economic and accounting reforms corresponding with the political reforms. It is worth noting that the reform of accounting in Vietnam was originated prior to the official launch of economic renovation in 1986, as recalled by a senior official of Vietnam Association for Accountants and Auditors (VAA) that:

The reform of the accounting system for the state sector was initiated in 1984 with the first National Conference for Chief Accountants held in December 1984 and a project to draft an Ordinance on Accounting and Statistics (Interviewee 3).

Consistently, it is noted in the MoF publication that:

In 1984, despite the serious economic and financial difficulties as well as accounting work, the DAP successfully held the first National Conference for Chief Accountants and identified strategies for accounting reforms and development in the new era which created excitement and commitments to accounting personnel. Especially, in 1988 – 1989, when the country carried out economic reforms, the State issued fundamental regulations on accounting for the pre-economic reform for the state sector (MoF, 2001a, p. 12).

The reform of the accounting system of the state sector resulted from the SOE reform, which will now be discussed.

5.3.1 SOE reform and accounting practice

The 1992 Constitution stipulates the economic system as follows:

The State develops a socialist-oriented multi-sectoral commodity economy driven by the State-regulated market mechanism... The State sector is to be strengthened and developed especially in the key branches and fields which assume a leading role in the national economy. State-run economic establishments enjoy autonomy in production and business activities and are to ensure the latter's effectiveness (The Constitution, 1992, p. 4).

As observed by a former senior official of the MoF:

The period from 1987 was the economic renovation period and market economy building. Vietnam had a policy on accounting reforms for the state sector to be in line with the new management requirements towards a market economy and economic integration (Interviewee 2).

Le (1991) also observed that:

Together with economic renovation, there has been some partial change in the state apparatus. State control is now separated from economic management. The state regulates economic units by law and no longer by daily orders. Directors of

SOEs are responsible for profits and losses, and for paying workers' salaries as well (p. 89).

Explaining further the implication of new management requirements in this period, it is noted from a publication of the World Trade Organisation (WTO) that:

Since 1989, State enterprises are given the full right of autonomy and loss/profit accounting responsibility to run the business on their own (WTO, 1994, p. 5).

In respect of accounting policies, SOEs were required to comply with statistical and accounting regulations promulgated by the government (The Council of Ministers, 1987). The substantial autonomy afforded to the state enterprises was regarded as a cornerstone of the state's policy on SOEs reforms as part of its sound overall market policies in the late 1980s.

The Decision No. 217-HDBT issued by the Council of Ministers on 14 November 1987 required SOEs to practice self-economic accounting. The requirement was on the basis of using revenues to cover expenditure and introduced a profit-based accounting system, in which profits were to be assessed based on actual costs and revenues rather than on plan directives. Subsequently, the losses made by SOEs were no longer covered by the state as had previously been practised. This meant that SOEs were given the autonomy to operate as profit-making ventures. As of 1989, almost all SOEs had to fulfill only one mandatory planned target – that was the contribution to the state budget (Nguyen and Eddie, 1994; Tran, 1996). It is noted from the Decision No. 217-HDBT that:

Enterprises conduct self-economic accounting, doing socialism business accounting, calculate fully and accurately production costs, reduce cost of goods sold, self-finance and yield profit from business activities (The Council of Ministers, 1987, p. 9).

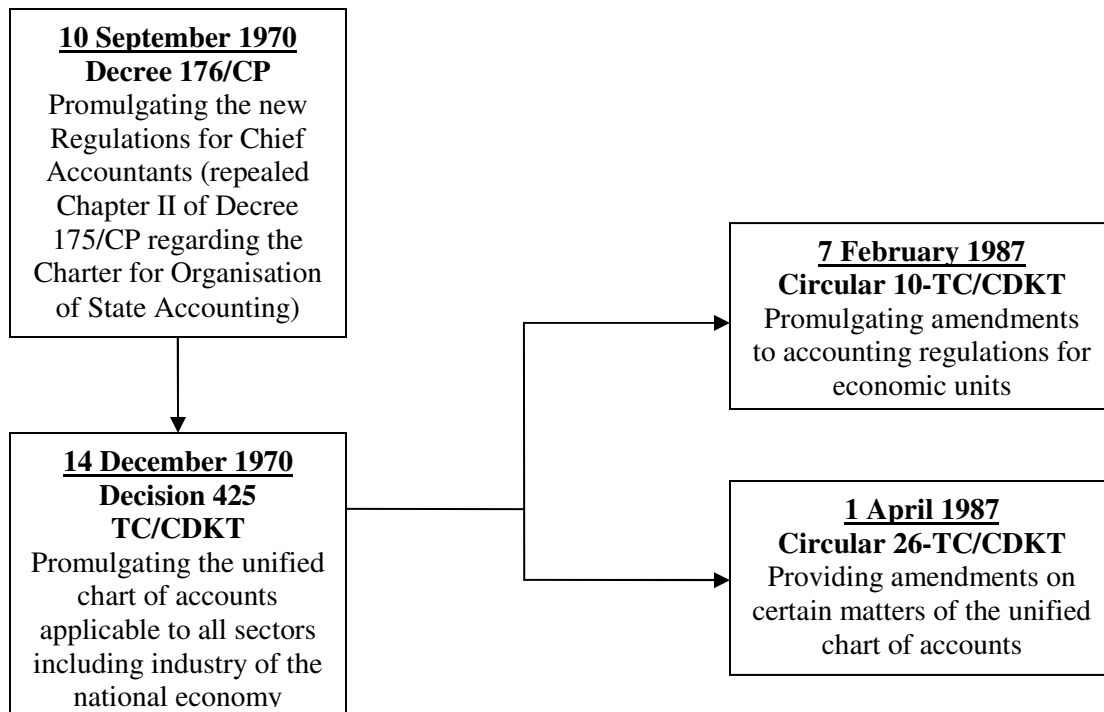
Therefore, executives of SOEs were directly accountable for production and business activities, including the utilization of employees (Van Arkadie and Mallon, 2003; Micheline and Nguyen, 2007).

As evidenced, direct involvement of the state in planning and input-output quotas was abolished. Except for some products which were contracted by the state, all other goods were produced to market demand. Areas which were guaranteed by the state in terms of material supplies as contracted with the state included coal, electricity, steel, chemicals, fertilizer, transport, communications, textiles, paper, household goods, and electronic products. Other products produced to market demand involved primarily consumer goods. The state played the role as the conductor of the national orchestra rather than the controller of the economic machine (Le, 1991; Fforde and Vyllder, 1996).

Corresponding with the changes in political and economic policies, the accounting practice in Vietnam also changed. The changes in accounting practice and financial management of the SOEs included the retaining of the entire depreciation funds on fixed assets at the enterprises (Archival records 31, 1987). This was the same feature as that of Polish accounting, as observed by Krzywda *et al.* (1996), that the economic reforms in Poland left elements of surplus generated by SOEs at the disposal of the state enterprises, instead of being appropriated by the state budget and reallocated according to the requirements of the national economic plan.

To guide and implement the state's policy and directions in opening its doors to the West, a number of accounting regulations to the state and non-state sectors were issued by the MoF. The following Figure 5.2 provides an overview on accounting regulations issued in 1987, one year after the commencement of the economic renovation policy at the resolution of the Sixth Party Congress in the late 1986:

Figure 5.2 – Accounting regulations issued in 1987



Source: MoF, 2001a; Adams and Do, 2005, p. 12

It is observed from the Figure 5.2 that subsequent to the commencement of the economic renovation policy in 1986, amendments to accounting regulations were made, although the unified chart of accounts issued in Decision 425 in 1970 remained in use. By allowing SOEs the substantial liberalisation to make decisions on investment, production and marketing and by authorizing them to be responsible for ensuring efficiency and profitability and thus, more market-oriented behaviour, the Vietnamese economy shifted from a centrally-planned to a market-oriented economy (Beresford and Fraser, 1992; Dodsworth, 1996; Beresford and Fforde, 1997). As such, the requirements on the reform of fundamental tools and approaches on economic and financial management, including accounting and statistical tools, were one of premises for economic reform towards a market economy.

The implementation of state policies on economic renovation in Vietnam have had a significant impact on various aspects of business and accounting practices. For example, instead of directly involvement in production, finance and marketing activities of SOEs

as in the centrally planned economy, such responsibilities were transferred to directors of the SOEs. As such, accounting information became useful to monitor the enterprise's activities, and directors of SOEs were required to be more accountable for business performance. These are the major differences in accounting development in this period compared to the period prior to 1986.

It is noted that as the predominance of state hierarchical control began to break down, it left room for the other two principles in the Puxty *et al.* (1987) theory to develop, namely the market and the community. Puxty *et al.* (1987) explanation on these guiding principles follows. Firstly, the state, in its hierarchical control, sought to hold companies accountable for their activities by issuing accounting regulations. The intervention of the hierarchical control principle was to ensure that basic accounting practices were undertaken to reduce the turbulence and uncertainties associated with the erratic discipline of the market. Secondly, the market principle, or dispersed competition, regulated accounting practices in a variety of ways, as accounting information is used to control and improve, as well as monitor, employee and organizational performance. And finally, the community principle, or spontaneous solidarity, shaped accounting practice by recognising the role of the profession.

In the context of business autonomy, the role of accounting has changed, as accounting information becomes necessary for operational management and for the evaluation of the performance of senior executives in the effective utilization of resources (Brzezina and Jaruga, 1988). Bailey (1995) noted that state determined accounting is likely to be succeeded by state regulated accounting (i.e. a subsequent confirmation of tried and preferred accounting practices), as the requirements of the preparers and users of financial information become articulated in the wider community.

In the case of Vietnam, accounting information in this period enabled the state to monitor the business performance of SOEs and to determine economic measures to better use the country's capital and resources. A former senior MoF official recalled:

Subsequent to Doi Moi policy, 12,000 SOEs have been equitised and restructured to about 3,000 SOEs and the government's future plan is to have only 1,000 SOEs (Interviewee 2).

In 1990, the 12,000 SOEs covered all economic fields, but mainly concentrated in areas of industry, trade and services (Norlund *et al.*, 1995; Van Arkadie and Mallon, 2003). As an important outcome of the SOE reform to improve their efficiency, resulted from the implementation of the Company Law in 1990, the number of SOEs was reduced from 12,000 in 1988 to 6,000 in 1992 after being merged and/or consolidated, by a simple device of requiring re-registration, mostly small and loss-making enterprises with less than 100 employees and VND 500 million (about US\$45,000) in capital (Mekong Economics, 2002; World Bank, 2002; ADB, undated; Le, 2003; Painter, 2003; Abonyi, 2005).

This is consistent with provisions in the Decree No. 388-HDBT dated 20 November 1991 by the Council of Ministers regarding the establishment and closing down of SOEs, which set out the re-registration requirements (Archival records 39, 1991).

It should be noted that in Vietnam, from the accounting profession perspective, the Company Law is not the fundamental regulation governing accounting activities. The regulations in the Company Law in Vietnam are about how to establish a company, which fields a business would be allowed to set up in, and its management structure, and not about accounting procedures in companies. Rather, the Ordinance on Accounting and Statistics in 1988 and the Law on Accounting in 2003, specifically govern the national accounting and auditing activities. Further discussion on these two regulations is made in the later part of this Chapter and in the next Chapter. Similar to China (Yun-Wei, Chow and Cooper, 2003), evidence suggests that the economic renovation in Vietnam had a significant impact on Vietnamese accounting for the state sector.

5.3.2 Factors underpinning accounting reforms in Vietnam

During 1986 – 1997, the diversification of business operations and ownership, the changes in the government's role in macro-economic management and the commencement of internationalisation of economic activities were the important economic developments which prompted accounting reforms in Vietnam.

5.3.2.1 The diversification of business operations and ownership

As mentioned earlier in this Chapter, the 1992 Constitution provides for the existence of a multi-sectoral economy. As such, the SOEs and private enterprises are to be provided with equal opportunity in managing business operations and development and are charged with accountability of the enterprises. Private enterprises, household businesses and FDI form the non-state or private sector post-1986 (Nguyen, 2009).

The SOEs had been equitised or converted to one-member limited liability companies governed by the Company Law, as promulgated by the National Assembly on 21 December 1990. The Company Law in 1990 provided limited liability companies and joint stock companies with full autonomy in making decisions relating to business activities, including employment, and retained earnings. There were 1,170 limited liability and 65 joint stock companies incorporated in 1991, twelve months after the commencement of the 1990 Company Law (Gillespie, 2003, p. 218). It is argued that by creating the Company Law, the country intended to open the economy for businesses in the private sector with self management and accountability – so that public interest can be sustained, similar to Western countries.

In respect of business operations, the major change during economic renovation was the emergence of business combinations with joint ownership. For example, private enterprises and enterprises with foreign investment in the forms of joint ventures (JVs) or fully foreign-owned enterprises were allowed to establish and operate, subsequent to the promulgation of the Law on Foreign Investment in Vietnam in 1987 and its amendments by the National Assembly later on. Beresford (2008) explained that:

A process of institutional reform began, basically through granting of greater autonomy to [state-owned] enterprises. In the 1990s, this autonomy extended to allowing the formation of JVs with foreign investors and a gradual process of equitisation (partial privatization), particularly of smaller, non-core businesses (p. 227).

Nguyen (2005b) observed equitisation as a unique term to Vietnam. Broadly, it is similar to privatization, entailing the partial divestment of state owned corporate assets (Centre for International Economics – CIE, 1998). Nguyen (2005b) also noted several distinctive features of the equitisation process in Vietnam as follows:

First, the key objective of this process is an apparent desire to diversify the ownership of companies. Most importantly, it is for the workers in SOEs to become “real” owners of their own respective companies... Second, the state often retains a considerable proportion of the shares in the equitised firms... Third, other large parties (such as institutional or strategic investors) are rarely owners in equitised former SOEs (MPI, 2002, p. 358).

Therefore, the traditional accounting regulations promulgated by the MoF for specific industries and enterprises with specific ownership prior to economic renovation were no longer applicable to the state and non-state sectors.

5.3.2.2 The changes in the government’s role in macro-economic management

The earlier discussion in this Chapter suggests that the changing role of the state from direct management to indirect guidance of enterprises resulting from the economic renovation is the second important factor underpinning accounting reforms in Vietnam. As such, the government mainly employed macro policy-making to control the direction of enterprise development, while allowing enterprises to assume accountability for operations. Therefore, the rigid, fund-oriented accounting practices prior to economic renovation in 1986 were incompatible with autonomy in business operations and less

reliance on government fund allocations during the economic renovation period. Thus the changing role of the state increased the need for the disclosure of useful, relevant and reliable financial information to the general public, which mandates the reforms of the Vietnamese accounting system. This impact on accounting development will be discussed further in Section 5.3.3.3.

5.3.2.3 The commencement of internationalisation of economic activities

The open-door policy of Vietnam has enabled the gradual expansion of the country's international economic activities, including the establishment of JVs with foreign investment and foreign-invested enterprises (FIEs). In the accounting field, more and more internationally recognised accounting practices and conventions have been introduced, mainly in JVs and, to a lesser extent, in SOEs. Further discussion on this matter will be in the Section 5.3.6 on accounting for the private sector.

5.3.3 Accounting regulations

It is important to note that like the legal system of countries such as Germany, France, Japan, Russia and numerous other countries, the legal system of Vietnam is based on civil law, or the continental European system. As such, unlike in common law countries such as the US and UK, shareholders are not the main users of financial information, but rather state agencies and creditors (especially banks). Apart from that, professional representatives develop accounting standards for the non-state sector in the common law countries; whereas state organizations in civil law countries issue accounting regulations (McGee and Preobragenskaya, 2006). In addition, as noted earlier, economic developments in Vietnam have been accompanied by significant changes in political attitudes, within a framework of strong governmental control. This has also impacted on accounting regulations and the profession.

The preliminary stage of the reform of accounting in Vietnam during 1986 – 1997 was marked by the promulgation of major accounting regulations such as the Ordinance on Accounting and Statistics in 1988, the Charter for Organisation of State Accounting in

1989, and the new accounting system in 1995. These three major regulations will now be discussed in turn.

5.3.3.1 The Ordinance on Accounting and Statistics in 1988

A former senior official of the MoF confirmed that:

The Ordinance on Accounting and Statistics was the highest legal document in Vietnam in respect of accounting and statistics after Doi Moi (Interviewee 2).

Being regarded as suitable to the multi-sectoral economy during the transition towards open door for integration, the Ordinance on Accounting and Statistics in 1988 defined an accounting system as a prerequisite for the transformation to a market economy (Adams and Do, 2005; Thanh Tung, 2008). The Ordinance provides accounting and statistics regulations applicable to all SOEs, State-private joint enterprises, collectives and private units engaged in production and business activities and agencies and organizations using State funds in the national economy (The Ordinance, 1988). In their study, Narayan and Godden (2000) observed that:

This Ordinance was drafted on the basis that accounting records and reports should be done in such a way as to suit two needs, taxation requirements and statistical needs of the Government (p. 13).

The drive for this Ordinance was to provide a tool for government taxation by defining reporting forms and imposing statistical collection rules and hence provided little support for management information systems (Adams and Do, 2005).

It is observed from the Ordinance on Accounting and Statistics that:

The Ordinance on Accounting and Statistics aimed to enhance economic and financial management at all levels in branches, to provide for audit and control by the State of production and business operation within the various economic sectors, and to exploit the potential of the country; and to meet the need for

updating economic management, to ensure that information is obtained from each level of each economic sector of the country in a timely, uniform and accurate manner. The Ordinance provides regulations for the accounting and statistics standards to be applied in the national economy (The Ordinance, 1988, p. 1).

It is noted that the accounting reforms were reflected in the Ordinance. For instance, comparing to accounting regulations prior to 1986, the Ordinance provides provisions relating to:

- * the primary recording system,
- * the accounts and book-keeping system,
- * the system of forms and reports,
- * a system and method of calculating economic and financial targets,
- * a classification of national economic sectors, economic forms and schedules of classifications, codifications and contents of the State budget,
- * units of weights and measures, and
- * the accounting and statistic year uniformly in one legal instrument (The Ordinance, 1988; Narayan and Godden, 2000; Adams and Do, 2005).

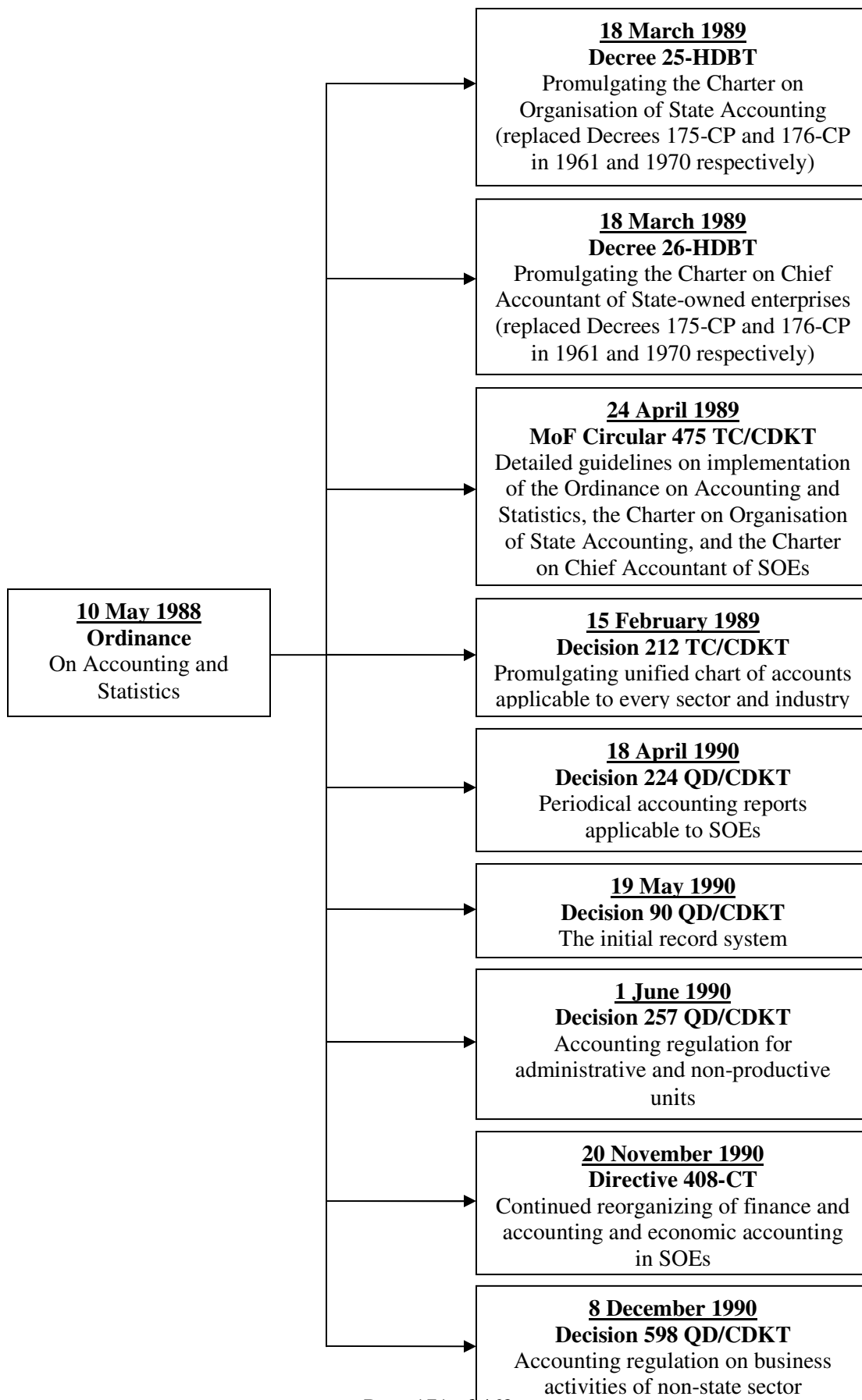
In the same year of the issuance of the Ordinance, the Council of Ministers also issued the Decree No. 155-HDBT on 15 October 1988 promulgating functions, duties and organization of the MoF, replacing previous regulations regarding the organization and operation of the MoF. The Decree stipulated key rights and duties of the MoF, of which included the following:

Issuing accounting policies and regulations, accounting books and forms to the national economic sectors, SOEs, organizations, individuals; guiding, instructing and checking the compliance with issued accounting policies and regulations, accounting books and forms... and organizing the training for finance and accounting officials to meet staffing requirements of agencies and grassroots (The Council of Ministers, 1988, p. 2).

It is observed that the previous DAP changed its name to the Department of Accounting Policy and Inspection under the Decree No. 155-HDBT in 1988, to meet the economic development of the country (MoF, 2001a). This suggests that accounting inspection was paid more attention to by the MoF to ensure compliance with the state budget.

Subsequent to the issuance of the Ordinance on Accounting and Statistics in 1988, a range of accounting regulations was issued. The following Figure 5.3 provides an overview of accounting regulations and directives issued during 1988 – 1990:

Figure 5.3 – Accounting regulations and directives during 1988 – 1990



Source: MoF, 2001a; Adams and Do, 2005; Nguyen, 2005a; Thanh Tung, 2008

5.3.3.2 *The 1989 Charter for Organisation of State Accounting*

The 1989 Charter for Organisation of State Accounting is the second major accounting regulation in the preliminary phase of accounting reforms. It replaces the previous Charter for Organisation of State Accounting issued in the Decree No. 175/CP dated 28 October 1961 and the Decree No. 176/CP dated 10 September 1970 by the Council of Ministers, discussed in the preceding Chapter.

One of the main differences of the 1989 Charter for Organisation of State Accounting and those issued in 1961 and 1970 is that accounting in the 1989 Charter has a dual role to the state and the enterprises:

With respect to the state, accounting is an important tool to calculate, build and check the compliance with state budget obligations, to manage and operate the national economy. To organisations and enterprises, accounting is an important tool to manage and operate their activities, to check the protection and usage of assets, materials and capital in order to ensure the autonomy in their production and business activities and in their financial management (The Council of Ministers, 1989, pp. 1-2).

In addition, double-entry bookkeeping was confirmed in the 1989 Charter to ensure the balance of capital and sources, both sides of a balance sheet, between allocated budget and budget usage at any point in time (The Council of Ministers, 1989). Provisions relating to cost accounting, fixed assets register and accounting checking were also included in the 1989 Charter, as well as the inclusion of provisions on the application of technological facilities to support accounting work. However, the 1989 Charter did not provide detailed specifications as to how and what technological facilities could be used in accounting work. Similar to the previous Charter for Organization of State Accounting, the 1989 Charter also included provisions relating to the organization of accounting work, chief accountants, accounting records and books and reports. As the name of the

Charter reveals, these developments took place in the state sector. The MoF was the accounting unit of the central's general budget (The Council of Ministers, 1989).

The role of the MoF was also stipulated in the 1989 Charter as being responsible for:

- Issuing accounting regulations for sectors in the economy to be applicable to the entire country, and approving specific accounting regulations to be issued by other ministries and departments.
- Guiding and directing the organization of accounting work in subordinated accounting bodies.
- Checking accounting work of subordinated accounting bodies and industries.
- Approving consolidated accounting reports of central accounting agencies.
- Having a training plan for accountants in the national economy, improving the contents and curriculum of accounting training in finance and accounting schools and universities, and improving the professional training courses to accounting personnel and providing accounting knowledge for managerial officials (The Council of Ministers, 1989, p. 9).

5.3.3.3 The new accounting system in 1995

Laughlin (1995) argues that "...accounting practices are not some technical, context-free phenomenon." (p. 82). It is noted that the collapse of the Soviet Union is one of the significant factors influencing the economic renovation in Vietnam, and hence its accounting reforms. Vylder (1995) observed that:

The virtual elimination of Soviet assistance in 1991 can be seen as the final blow to central government in its old role. The state is no longer able to distribute subsidized resources to the rest of the economy. Perhaps paradoxically, this will, however, give the state an opportunity to strengthen itself. The state will be forced to withdraw further from a wide range of loss-making activities – probably including the ownership of the vast majority of state enterprises – and in order to become stronger, the state needs to be reduced. Or, rather: it must do less things than today, but do them better (p. 54).

The question is, if the Soviet aid to Vietnam had not been withdrawn in the early 1990s, would Vietnamese accounting reforms have been undertaken? It is argued that the Vietnamese accounting reforms would still be undertaken. This is because of two main reasons. Firstly, there was the government's determination to open up the economy to attract foreign capital into the country to assist in economic development for maintaining a '*civilised and equitable society*' for solidarity and uniformity (http://www.chinhphu.vn/cttdtcp/en/about_vietnam06.html, accessed 24 March 2011). Secondly, the trends towards the adoption and implementation of International Financial Reporting Standards (IFRS) in the region and the world to enhance the transparency and reliability of financial information, have had impact on Vietnamese accounting.

Setting directions of the change in accounting as well as the transformation of accounting rules in Vietnam are in the hands of the state. As noted in the preceding Chapter, accounting is a result of the environment in which it exists and serves (Perera, 1975; Wallace, 1992; McGee and Preobragenskaya, 2006; Farag, 2009). In an environment where the Communist Party plays a dominant role in the political and economic development, it is crucial that Vietnamese accounting serve the goals and objectives set by the VCP.

In their study, Raudebaugh and Gray (2002) noted the environmental influences on accounting. They include the nature of enterprise ownership, the business activities of the enterprise, sources of finance and the stage of development of capital markets, the nature of the taxation system, the existence and significance of the accounting profession, the state of accounting education and research, the nature of the political system, the social climate, the stage of economic growth and development, the rate of inflation, the nature of the legal system, and the nature of accounting regulation. The following section will discuss three of these major environmental influences on Vietnamese accounting reforms: the *nature of the political system*, the *stage of economic growth and development*, and *whether or not there exists an accounting profession*. Other environmental factors will also be briefly discussed as appropriate.

It is important to note that the US signed the agreement to establish diplomatic ties and normalize relations with Vietnam on 12 July 1995 (Xuan Linh, 2010). How did this event impact on Vietnamese accounting? The normalization of diplomatic relations with the US facilitated visits of US government officials and American businesses to Vietnam. This resulted in the primary influence of the US on Vietnamese accountancy to adopt the IFRSs, as encouraged by the International Accounting Standards Committee (Corfield, 2008; Sarikas *et al.*, 2009).

It was noted by a former senior MoF official on the reform of the accounting system that:

The Vietnamese accounting system was fundamentally reformed in accordance with requirements of a market economy, including drafting a new accounting system, a chart of accounts, a voucher system and accounting books, and a system of financial statements (Interviewee 2).

Resulting from the open-door policy, the government received technical assistance to build a new accounting system for a market-oriented economy, as revealed by a former senior official of the MoF:

With the assistance of specialists of the Republic of France, learning experiences from French and Eastern European accounting, the MoF has drafted and issued a new chart of accounts and a system of accounting reports. The chart of accounts is better designed with better structure. The accounting reports are also shortened and better structured (Interviewee 2).

Another former senior MoF official also noted that:

Vietnam started to learn foreign accounting models, such as accounting of France, USA and International Federation of Accountants (IFAC), to build up its accounting model (Interviewee 3).

Consistently, it is noted from the archival records that:

Based on experiences of leading specialists on accounting, the DAP mobilized a vast majority of officials to participate in the reform of Vietnamese accounting system (Archival records 2, 2007, p. 11).

Nguyen and Eddie (1994) also observed:

The process of accounting reform began in early 1990 with the assistance of French accounting experts (p. 5).

Does the evidence suggest that Vietnam was leaning towards the French accounting system in the open-door period? The accounting expertise provided by the French to Vietnam was reflected by the translation of the French chart of accounts into Vietnamese, as noted by the former senior MoF official:

During 1989 – 1990, some accounting officials proposed to recommend the reintroduction of the French chart of accounts in 1957, which was translated into Vietnamese, to Vietnam, because it had the separation of financial accounting and tax accounting, thus was seen to be convenient for tax officials to calculate and check tax obligations; and the detailed accounting of the French system would serve very well the management requirements of state agencies and the enterprises. However, policy makers were not convinced with this reasoning (Interviewee 2).

In their study, a consistent observation regarding the accounting expertise provided by the French was elaborated by Sarikas *et al.* (2009) that:

In 1989, after Vietnam had begun efforts at its economic reform, the French presented the Vietnamese with a Vietnamese translation of the current French accounting system. Visits to Vietnam were made by French accounting experts in an attempt to get the Vietnamese to adopt the French system. The French also provided training to Vietnamese government-employed auditors and MoF employees concerning the French PCG (p. 185).

It could be argued that with the open-door policy, Vietnam was regarded as a promising destination for foreign investors, including the French, in the Southeast Asia region. The adoption of the French PCG proposed by the French would, perhaps, facilitate the European investment into the country. In addition, it also suggests that the educational level of the Vietnamese people during this period was regarded higher than that in French colonial rule, so they were willing to help train Vietnamese accountants on the French accounting system.

Despite observations made by some scholars predicting that Vietnam was going to be adopting the French accounting system for the non-state sectors (Aleonard, 1997; Teo, 1999), the French accounting system was not chosen to be adopted by the Vietnamese government for either the state or non-state sector (Sarikas *et al.*, 2009). The former senior official of the MoF elaborated the reasons for this:

However, the proposal [to reintroduce the French chart of accounts] was not supported by policy makers because i) in the Vietnamese context, it would be impossible and not necessary to separate financial accounting and tax accounting, as the tax policies in Vietnam were based on financial policies, and taxation obligations were mainly determined based on accounting information and data; and ii) as French accounting was extremely detailed, enterprises in Vietnam and accountants would prefer simpler and more flexible accounting practices. Apart from that, Vietnamese accounting tends to apply and comply with international accounting standards (Interviewee 2).

Nobes and Parker (2004) made a consistent observation in respect of the nature of French accounting:

The [French] national accounting plan is the most distinctive part of French accounting. It is not merely a chart or classified list of ledger accounts but a very detailed manual on financial accounting (p. 228).

Perhaps this reflects one of the important but unique characteristics of the economic renovation in Vietnam, as observed by Vu (1995), in the development of a two-

directional process, that is, ‘a grassroots upwards process and a central leadership downwards process – which has increased the people’s understanding of the new conditions and reduced the ‘shock’ element of macro-economic stabilisation’ (pp. 17-18). One direction in the process was the government’s goal in achieving macro-economic stability through its policies, including accounting policies. The other direction was to take into account the expectation of the corporate sector and those in the accounting community in having an accounting system which was simple and flexible. The French PCG failed to meet these objectives. A senior MoF official stated that:

The French accounting plan in 1957 was used as a pilot program in a factory of the Ministry of Construction but did not achieve good outcomes and not welcome by accountants, as its accounting rules and requirements were too detailed (Interviewee 2).

An interviewee who worked for one of the Big Four firms added that:

Accounting was mainly conducted manually as computers were not readily available at that time in Vietnam, so it would take lots of time to record accounting transactions if the French chart of accounts was in use and would, therefore, fail to provide timely accounting information and reports (Interviewee 16).

Therefore, it is observed that a very detailed accounting system would affect the timeliness and availability of accounting information which would, in turn, hinder the accountability of directors of SOEs and cause difficulties in providing information for macro-economic management of the state.

The ‘learning by doing’ or trial-and-error approach was defined by Vu (1995) as ‘a process which eliminates inappropriate components of the old system and incorporates new and more suitable elements’ (p. 18). By taking the trial-and-error approach aiming to find a suitable path of development, policy-makers in Vietnam sought to create its own

accounting system that would suit the country's conditions in the transition to the market economy, rather than 'a total destruction of the old model nor the imitation of a foreign model' (Vu, 1995, p. 18).

Beresford and Tran (2004) noted that:

Clearly, the VCP is not looking forwards Western models of relatively laissez-faire market relations: its ideological stance has more in common with the highly interventionist development programmes favoured elsewhere in East Asia. Unlike its capitalist neighbours, however, the VCP also emphasizes the need for such intervention to accommodate the goal of a 'civilised and equitable society' (p. 7).

The former senior MoF official elaborated:

The accounting system was reformed comprehensively and thoroughly. The new system was drafted with reference to the French accounting system and Western accounting systems to come up with a system which would suit Vietnam's conditions (Interviewee 2).

The government continued playing a leading role in directing the accounting reform process. With reference to the Puxty *et al.* (1987) organizing principles, the state retained its dominant role in accounting reforms.

An interviewee who worked in one of the Big Four firms and is a senior official of the VAA, observed that:

At the end of 1994, the MoF initiated a program to modernize accounting in Vietnam to be in line with international practice. In order to conduct this program, the MoF has invited professors and doctorate holders in accounting who have studied overseas in German, Russia and other countries to participate to a project to draft a new Vietnamese accounting system, followed international accounting standards. However, most invitees studied in Russia so were not knowledgeable on international accounting standards. Therefore, they

approached and invited me as I learnt the French accounting system and had some research and conducted teaching on the American accounting system. Another accounting specialist who studied French accounting in France before 1975 was also invited to participate in the project (Interviewee 16).

In their study, Narayan and Godden (2000) commented that the accounting system issued in the Decision No. 1141-TC/QD/CDKT on 1 November 1995 was suitable for SOEs which accounted for a major sector in the economy. This was regarded as the initial base for setting up accounting rules for different sectors and industries, such as business enterprises, construction enterprises, FIEs, insurance and securities, small and medium-size enterprises etc. (MoF, 1995; Adams and Do, 2005). Banking and financial industries used a different chart of accounts promulgated by the State Bank of Vietnam (SBV) (Nguyen and Eddie, 1994; MoF, 1995).

The accounting system promulgated in Decision 1141 demonstrated the government's determination to reform the country's accounting system towards international standards (IAS at the time) (Le, 2000). There were four components in the new Vietnamese accounting system in 1995: the unified chart of accounts with detailed accounting guidelines, financial reports, accounting vouchers, and accounting books (MoF, 1995). The state retained its influence and maintained its control of the economy to achieve economic stability objectives, through its influential role on accounting reforms and the issuance of accounting regulations and directives.

In their study, Nguyen and Eddie (1994) observed that:

The unified chart of accounts [issued in 1995] which was based on the Soviet accounting model, shifted to the French chart of accounts system (p. 5).

This is a very important and interesting point. Accounting researchers indicated that Vietnam was going to follow the French accounting system, that was, the French Plan Comptable General (PCG), in the early to mid 1990s (Nguyen and Eddie, 1994; Aleonard, 1997; Teo, 1999).

Warner (2001) also observed:

In Vietnam, the government issued a chart of accounts in 1994, based upon the French UAS [unified accounting system], which, as trialed and amended in 1996, is applied in all but a small number of industries (notably banking) and enterprises with foreign capital. The influence of Soviet accounting traditions is still evident. There is, however, an influence of US accounting practices through some Southern Vietnamese firms and policies designed to harmonise with standards in other ASEAN countries (p. 35).

A couple of important points are noted.

Firstly, the new accounting system was regarded as similar to that used in many Western accounting systems. The French and Western accounting systems referred to as the Continental European systems, which, as observed by Warner (2001), favour unified accounting systems. The French unified accounting system is a system which unifies all the accounting information needed for management needs (Stolowy, Dormagen and Ternisien, 1993). Having the characteristics of the Continental European systems, these systems are less reliant on professional judgment than their Anglo-American counterparts (Warner, 2001; Nobes and Parker, 2004). In addition, accounting in the Continental European countries was primarily regulated by law, instead of self-regulation as in the Anglo-American countries (Sevic, 2004).

In the case of Vietnam, there was no evidence of the existence of accounting standards for the corporate sector as used in Western countries, but rather a unified accounting system issued in 1995. In this period, the corporate sector in Vietnam covered SOEs and private enterprises, including FIEs. It should be noted that in Vietnam a securities market was in the establishment stage and that there were no listed companies during this time. The unified accounting system in Vietnam means that the system is uniformly applicable to all enterprises of economic sectors and industries in the entire country, except those in the banking and financial industries (MoF, 1995; Yang and Nguyen, 2003). In Western countries, accounting standards have been adopted for the corporate sector and/or private

sector for good governance and transparency. The evidence suggests that the Vietnamese accounting system was dominantly promulgated by the state.

The chart of accounts in the Decision No. 1141-TC/QD/CDKT of the MoF was subdivided into three synthetic accounts and four digit analytical sub-accounts with precise classes as follows (MoF, 1995; Nguyen and Pham, 1997):

Class 1 – Current assets

Class 2 – Fixed assets

Class 3 – Liabilities

Class 4 – Owner's equity

Class 5 – Revenue

Class 6 – Production and operating expenses

Class 7 – Other revenue

Class 8 – Other expenses

Class 9 – Determination of operating results

Class 0 – Off balance sheet accounts

Usa (2009) noted that:

The new system, which is based on ten classes of accounts, is close to the French system but also contains elements of American accounting standards (p. 83).

An interviewee stated that:

The MoF decided to approve an accounting system issued in 1995 with elements of the American accounting system. This reflects in the presentation of a balance sheet, in order of current assets then fixed assets, on the left side of a two-sided balance sheet, being current assets on the left side and liabilities and equity on the right side (Interviewee 16).

Nobes and Parker (2010) further observed that:

There are some standard elements of the US balance sheet: for example, assets are shown at the top of a vertical balance sheet (or on the left of a two-sided balance sheet). Unlike the format under European (including UK) national laws, current assets precede fixed assets (p. 181).

The balance sheet structure promulgated in the Decision No. 1141 in Vietnam is as follows:

Assets	Capital sources
Current assets and short-term investment	Liabilities
Fixed assets and long-term investment	Owner's capital
Balance	Balance

Source: MoF, 1995

Sarikas *et al.* (2009) observed the French influence on Vietnamese accounting, in that:

... The inclusion of separate income statement sections for operations, financial activities and 'other' activities seems to be the product of French influence (p. 185).

It is also noted that the financial statements required under the Decision 1141 included:

- Balance sheet
- Profit and loss statement
- Cash flows statement
- Notes to financial statements (MoF, 1995). This report is mostly designed to provide information to state management authorities (eg. taxation and statistics) (Yang and Nguyen, 2003).

Nguyen and Eddie (1994) added:

According to the new accounting system, accounting books were changed with the aim of simplifying the book entry method and eliminating some accounting

journals which were not suitable or necessary for business management under a market economy (pp. 5-6).

The Soviet influence on the new accounting system in Vietnam is the second important point to note. The main similarity of the Soviet and the Continental European systems is that they both favour unified accounting systems (Bailey, 1988; Willett *et al.*, 1997a, b; Nobes and Parker, 1998, 2004; Warner, 2001). This is, perhaps, a common feature of accounting in socialist countries, such as China and Poland (Huang and Ma, 2001; Jaruga, 1990, 1996).

It is observed that Vietnamese accounting has the same characteristics as that of Polish accounting in which accounting practice was governed by Ministerial regulation (Krzywda *et al.*, 1996). As such, the main objectives of the State direction in the determination of accounting policy were to ensure that the needs of the state were built into the accounting system and to assure the recognition of the state's requirements.

The Vietnamese accounting reforms have had similar characteristics as that of Chinese, albeit in different periods of time. The corporate governance and accountability has increased subsequent to the removal of the state subsidies and the greater autonomy given by the state to the SOEs' directors.

The Soviet influence was also reflected by specific features of Vietnamese accounting in this period. They were the state determination and direction of accounting policy and the recognition of the state as the primary user of accounting information. This may be regarded as another similarity between the French and Soviet accounting models. As such, the government was historically the primary user of accounting information in its capacities as a tax collector and a provider of state capital. The national accounting plan is controlled by a government body, namely the Conseil National de la Comptabilite (Counsellor National Accounting) in France and the MoF in Soviet (Bailey *et al.*, 1995; Nobes and Parker, 2004). The main difference between the Soviet and the Continental European systems, however, is that the cash basis was used to measure the costs in the Soviet system, rather than an accrual basis, and reports were highly standardized of a

statistical character, reflecting the needs of bureaucratic planning authorities (Warner, 2001).

The administration of the taxation system was the primary function of the Vietnamese accounting system. Thus, accounting information from financial reports was designed to serve mainly business management and the tax offices purposes, by setting the standard forms and other disclosures for easy compilations and comparatives by the authorities (Nguyen and Eddie, 1994; Nguyen and Pham, 1997; Yang and Nguyen, 2003).

A market economy is defined by Than and Tan (1993) as ‘a system in which people, the basic economic unit, enjoy freedom to act in both economic and social fields. A market economy cannot flourish without the widest individual freedom for maneuver. The goals of a market economy are high growth and increased trade.’ (p. 8). The evidence suggests that accounting information produced by the new accounting system in 1995 was to satisfy the state objectives and for state macro-economic management. As such, the freedom of individual businesses to act in economic and social fields seemed to be limited. This suggests that the economy was not a full market economy.

The following Table 5.2 provides a summary of French, Soviet and the Vietnamese accounting system observed by the researcher:

Table 5.2 – Summary of French, Soviet and Vietnamese accounting plans

French accounting plan in 1999	USSR chart of accounts in 1986	Vietnamese chart of accounts in 1995
Balance sheet accounts		Balance sheet accounts
Class 1 – Capital (owner equity, loans and debts payable)	Class 1 – Basic means	Class 1 – Current assets
Class 2 – Fixed assets	Class 2 – Production stocks	Class 2 – Fixed assets

French accounting plan in 1999	USSR chart of accounts in 1986	Vietnamese chart of accounts in 1995
Class 3 – Stocks and work in progress	Class 3 – Production expenditures	Class 3 – Liabilities
Class 4 – Debt receivable and payable	Class 4 – Finished output, commodities and realization	Class 4 – Owner's equity
Class 5 – Financial	Class 5 – Monetary resources	
Operating accounts		Operating accounts
		Class 5 – Revenue
Class 6 – Charges	Class 6 – Current accounts	Class 6 – Production and operating expenses
Class 7 – Income	Class 7 – Financial results and utilization of profits	Class 7 – Other revenue
	Class 8 – Funds and reserves	Class 8 – Other expenses
	Class 9 – Bank credit and other finance	Class 9 – Determination of operating results
		Class 0 – Off balance sheet accounts

Source: Bailey, 1988; MoF, 1995; Nguyen and Pham, 1997; Nobes and Parker, 2004

It is also noted that the classification of expenses and revenues in the French accounting plan in 1999 is by nature rather than by function (Nobes and Parker, 2010). Whereas, the classification of expenses and revenues in the Vietnamese accounting system in 1995 is by function and follows the American system.

Teo (1999) pointed out that being a member of ASEAN, one would expect that the Vietnamese accounting system would evolve along the lines of other ASEAN countries and follow the Anglo-American accounting system. Empirical studies indicate that some

elements of the American accounting system were taken into account in the Vietnamese accounting system in 1995. This leads to the third point to note regarding the Vietnamese accounting system in this period, that is, the influence of the Americans on Vietnamese accounting. Sarikas *et al.* (2009) noted:

The primary American influence [on Vietnamese accountancy] seems to have been the adoption some years ago of the cash flow statement. Other aspects of influence would be the format of all the financial statements (p. 187).

Yang and Nguyen (2003) made a similar observation that the format of the financial reports in Vietnamese accounting system in 1995 was similar to a regular balance sheet and income statement prepared under US GAAP.

This is consistent with an observation of an interviewee who is a senior official of the VAA:

The presentation of financial reports followed the American system is familiar by the MoF and has been used to the present time. The US format differs from the UK format, which presents in a report form vertically (Interviewee 16).

In addition, the American influence was also reflected through the inclusion of accounts on provisions and contingencies to the chart of accounts in 1995. Lamb *et al.* (1998) explained the provisions and contingencies in the US accounting system that:

Accounting rule require recognition of liabilities (and any consequential expense) where it is probable that losses have been incurred at the financial statement date and the amount can be reasonably estimated. Tax rules permit an expense deduction only when 'incurred' (p. 181).

Nguyen and Pham (1997) elaborated on this in respect of the new accounting system issued in 1995, that:

An example is the case of provisions for doubtful debt and for the devaluation of stocks. Based on estimates of the likely future losses, enterprises may wish to make appropriate provisions which would reduce the current year's profits (but may increase those of future years). In practice, tax officials to date have tended to disallow the making of such provisions, on the grounds that the losses have not been actually incurred. Such rulings may reflect a desire on the part of these officials to meet the present year's tax revenue targets, or a lack of consistent and transparent procedures to determine the appropriate levels of provisions against likely losses, that is procedures which would satisfy the requirements of both external reporting and the tax system (pp. 424-430).

The major difference between the Vietnamese accounting system promulgated in 1995 and the US GAAP in respect of financial reporting is that the former encourages the preparation of the cash flow statement by SOEs, instead of requiring it as a compulsory report (Narayan and Godden, 2000; Yang and Nguyen, 2003). In other words, the American influence on Vietnamese accounting was reflected by the introduction of the cash flow statement as part of the financial reports.

The Vietnamese accounting system in this period was a selective system, with some elements of the French, Soviet and American influence. With reference to Puxty *et al.* (1987), this represents the approach of the Vietnamese state in that it did not adopt entirely a particular Western model. Rather, the government drew from the experience of Western and other socialist countries, taking into account the essence of the French, the Soviet and the American systems, to determine its own accounting system. This also reflects the state's overall direction in developing a market-oriented market economy under state guidance. The mixed accounting model in the case of Vietnam, taking the essence of the French, the Soviet and the American accounting systems, is seen to be appropriate for the country during the transition period.

Therefore, it is argued that accounting practice in the transition economy in Vietnam differs to that in other countries such as ASEAN countries, Romania and the Czech Republic. Empirical studies suggest that accounting systems in use in many developing

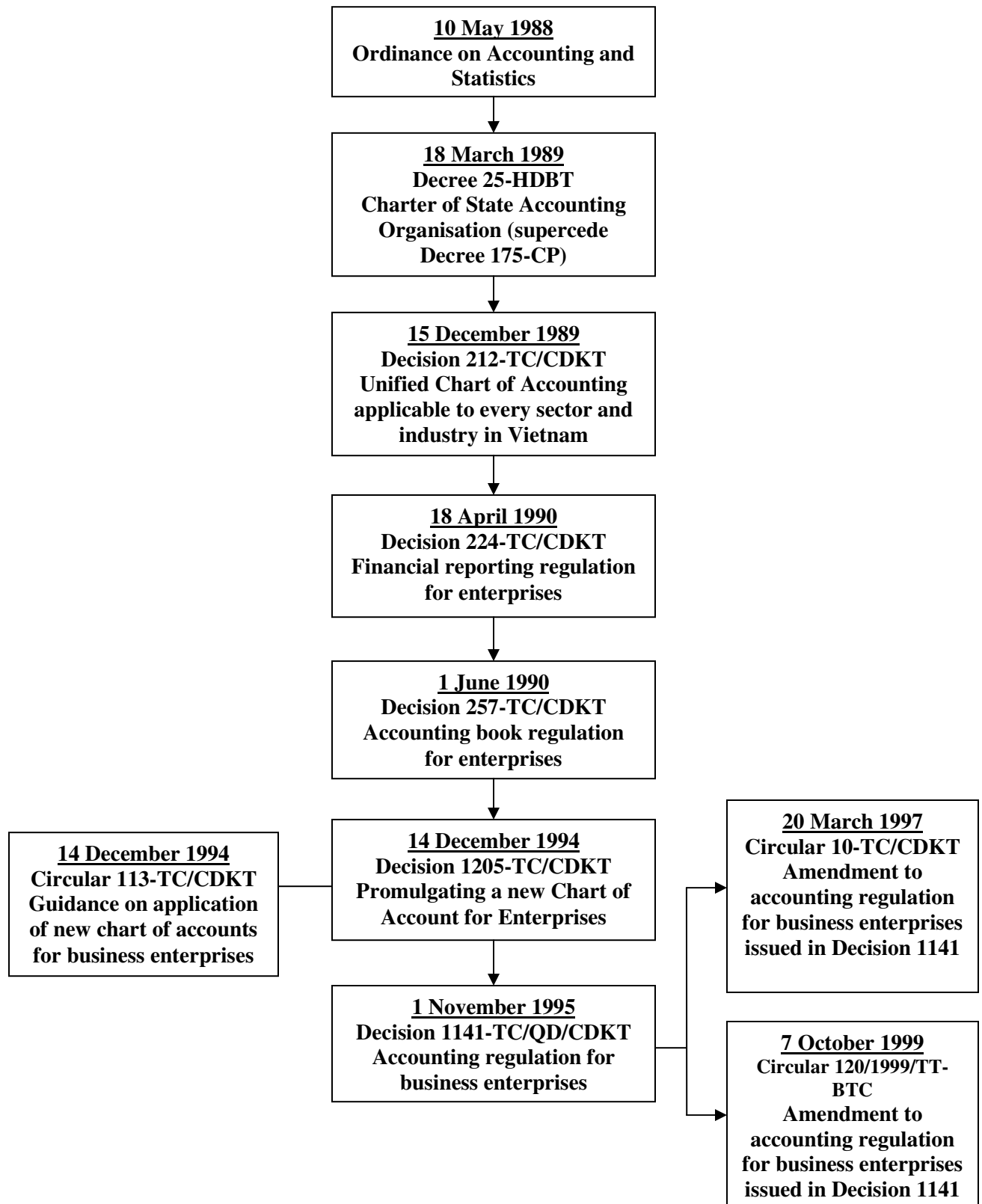
countries have often been directly imposed on them by their former colonisers, with little or no modification to suit the information needs of indigenous users (Wilkinson, 1965; Hove, 1986; Teoh and Chuah, 1997). The case of Vietnam indicates that the state played a dominant role in regulating accounting practice and determining the accounting system, despite its colonial history.

Accounting development during the post-colonial period of five member countries of ASEAN (Indonesia, Malaysia, Philippines, Singapore and Thailand) was attributed to each country's colonial history, such as Indonesia's Dutch accounting system, the Philippines' US-based accounting system, Malaysia's and Singapore's British oriented accounting (Saudagaran and Diga, 2007). Richard (1995b) and King *et al.* (2001) noted that under the Romanian Accounting Law in 1991, the French accounting system was adopted in Romania as a result of historical, cultural and political ties. In the Czech Republic, the new accounting system was introduced in 1993, influenced by the French accounting system by French advisers, as it seemed to be the most acceptable approach for the country's libertarian politicians that relied on the *laissez-faire* policies at the time (Schroll, 1995; Seal *et al.*, 1996). In a number of developing countries which were British colonies such as Nigeria and Sri Lanka, the British influence on accounting is very long standing. As such, the usual reporting and auditing requirements, especially for industrial development in those countries, were entirely influenced by the British Companies Act and these countries adopted the British accounting systems and principles (Briston, 1978; Uche, 2010; Yapa, 2006, 2010).

Therefore, the Vietnamese accounting system and practice in the transition period towards a market-oriented economy (1986 – 1997) proved to be different and it was not directly influenced by the French accounting system, in spite of their rule of the country for over eighty years, nor by the Americans. Rather, it is a product of a learning process in which the Vietnamese government played an influential role in selecting the relevant elements of French, Soviet and American accounting systems to build its own accounting system to suit the economic management requirements of the state.

The following Figure 5.4 provides a snapshot on a road map of the unified chart of accounts for business enterprises from 1988 – 2005 (although the period examined in this section is from 1986 – 1997):

Figure 5.4 – Unified chart of accounts road map for business enterprises from 1988 – 2005



Source: Adams and Do, 2005, p. 16

The following section discusses Vietnam's accounting organizations and accounting body – the accounting community.

5.3.4 Accounting organizations and association

This section will discuss three key events regarding the establishment of an accounting association in Vietnam during 1986 – 1997. As discussed in the preceding Chapter, there was no accounting profession in existence prior to economic renovation in 1986.

5.3.4.1 Chief Accountant's Club (CA's Club)

In Vietnam, the role of chief accountant (CA) was specified in the Ordinance on Accounting and Statistics in 1988. Under the Ordinance, the CA is appointed by the enterprise. The position was to organise and supervise the uniform implementation of accounting and statistics work, as well as to examine and control the financial and economic aspects of the enterprise (The Ordinance, 1988; Narayan and Godden, 2000).

In accordance with the Ordinance on Accounting and Statistics in 1988, the Council of Ministers issued the Decree No. 26/HDBT, on the same date with the Decree No. 25/HDBT, which was 18 March 1989, mentioned earlier in this Chapter, regarding the Charter for Organisation of State Accounting promulgating the Charter of Chief Accountants in SOEs. This Charter replaces Chapter II in the Charter for Organisation of State Accounting issued in the Decree No. 175/CP dated 28 October 1961 and the Decree No. 176/CP dated 10 September 1970 by the Council of Ministers (The Council of Ministers, 1989).

Adams and Do (2005) noted that this Charter was considered the first professional ethics rule in respect of position, duties and benefits of CAs who worked in SOEs. Consistently, Narayan and Godden (2000) noted the responsibility of the CA, defined in the 1989 Charter of CAs in SOEs, that:

The CA is generally responsible for safeguarding the company's assets for which s/he is personally liable. The CA should not take responsibility for the profitability of a company, but rather with its compliance to approved budgets

and plans. The CA must ensure that the annual financial statements are prepared as of 31 December and filed with the tax authorities, the General Statistics Office and the MPI (p. 19).

It is observed that the major change in the 1989 Charter of CAs in SOEs compared to that in 1970 is that the former included provisions relating to the appointment, removal and transfer of CA, at the recommendation of the director of an enterprise, and as approved by the authority which appointed the director to the enterprise. In addition, the criteria for CA were also provided for in the 1989 Charter as follows:

- Being ethics, honest and integrity, being able to comply and protect the implementation of principles and policies in respect of economics, finance and legislation of the State.
- Having professional accounting qualification and practical experience in accounting work as stipulated by the MoF.
- Having attended a chief accountant training course based on the training program set by the MoF and been issued a chief accountant certificate by the MoF (Archival records 28, 1989, p. 2).

So who would be qualified to become a CA in SOEs? To address this matter, the MoF and Ministry of Labour, Invalids and Social Affairs (MOLISA) jointly issued the Circular No. 64-TT/LB on 12 December 1990 guiding the appointment and remuneration for CAs and deputy CAs in SOEs. Accordingly, they were required to meet the following conditions:

	Chief accountants	Deputy chief accountants
Ethics	Being honest, having a sense of compliance with economic and financial principles, policies and state regulations	Similar to that of CA
Qualifications	At least from vocational training level on finance and accounting	Similar to that of CA

	Chief accountants	Deputy chief accountants
Skills	Have passed the professional training course for CA and been issued a certificate by the MoF or authorized training institutions or state agencies	Similar to that of CA
	Being knowledgeable on economics and finance for the production and business sector	Similar to that of CA
	Being competence on organizing, directing, guiding and checking the analysis of financial and accounting work, and making statistics of economic information	Being competence on organizing, directing and carrying out specific duties assigned by the chief accountant; being able to act for and on behalf of the CA as required
Experience	<p><i>To local SOEs:</i> having at least three years of working in finance and accounting to a university graduate and five years of work experience to a vocational training graduate.</p> <p><i>To central SOEs:</i> having at least five years of working in finance and accounting to a university graduate and eight years of work experience to a vocational training graduate.</p> <p>And having capacity to fulfill the duties and obligations required</p>	<p><i>To local SOEs:</i> having at least two years of working in finance and accounting to a university graduate and four years of work experience to a vocational training graduate.</p> <p><i>To central SOEs:</i> having at least three years of working in finance and accounting to a university graduate and five years of work experience to a vocational training graduate.</p> <p>Similar to that of CA</p>

	Chief accountants	Deputy chief accountants
	under the Charter of CAs in SOEs	
	Have been the deputy CA for at least one year to local SOEs and two years for central SOEs	

Source: Archival records 34, 1990

The chief accountant certificate is issued by the MoF and valid for five years from the date of issuance (MoF, 1997c).

The requirements on professional accounting qualification and practical experience in accounting work of CAs of SOEs and the training for CA certificate by the MoF will be discussed later in the professional accounting training section 5.4 in this Chapter.

The evidence demonstrates that enterprises were given more autonomy by the state in financial management as set out at the Sixth Congress in 1986, reflecting through the authority to appoint the CA as the economic controller. When more autonomy is given, the accountability and auditing aspects come into practice. As such, the CA not only supplied the enterprise's management with relevant information, but also took part in the decision-making process by ensuring compliance with approved budgets and plans. This had the same characteristics as that of other socialist countries such as Poland and China (Jaruga, 1996; Huang and Ma, 2001).

For the first time, the Vietnamese accounting profession was provided for in the Ordinance on Accounting and Statistics issued in 1988:

All accountants and statisticians shall, subject to supervision of the higher accounting and statistics agencies, be entitled to enjoy total independence in their profession (The Ordinance, 1988, p. 2).

The independence in the profession refers to the professional aspects in accordance with the guidance of the supervised accounting and statistic agency (The Ordinance, 1988). It is noted in a DAP's publication that:

The CA's Club of the nation's state enterprises was officially established and operated on 1 December 1989 by the MoF, as the first association for accountants and the precursor to the National Chief Accountant's Club and the Vietnam Accounting Association (VAA), as provided for under the Ordinance on Accounting and Statistics. The organization and operations of the CA's Club have always been handled by Director of the DAP in his role as the Chair of the CA's Club since 1994 to date (Archival records 2, 2007, p. 11).

The establishment of an accounting community is a significant event in the early years of the *Doi Moi* policy. The objectives of the CA's Club were stated by a senior official of the VAA that:

The CA's Club gathered a majority of chief accountants and accountants over the entire country to disseminate information and accounting policies and to share experience among chief accountants (Interviewee 3).

A consistent note is found in an archival record regarding the implementation of the Ordinance on Accounting and Statistics, the Charter of Organising State Accounting, and the Charter for CAs of SOEs, in which the overall objectives of the CA's Club were mentioned:

The MoF will establish the central CA's Club in 1989 ... aiming to enable CAs [in SOEs] and accountants to timely obtain new policies and to have a forum to share experience to enhance their skills (Archival records 33, 1989, p. 3).

The CA's Club operates under a Charter approved by the President of VAA. The recent Charter of the CA's Club was approved in 2004 which included objectives, organizational structure and membership requirements. With reference to the Puxty *et al.* (1987) organising principles, the state established the CA's Club as a community for accountants from the SOE sector to participate, for the purposes of solidarity.

An interviewee who is a former senior MoF official made an interesting point that:

The CA's Club is a social organization for accountants, not a professional body, and members are mainly CAs. The Club is to mainly gather CAs to share experience. Entry is by registration and membership is voluntarily. It is headed by the Chair. The CA's Club commenced its operations and, apart from being a socialized organization for CAs, started to build up relationships with international accounting bodies (Interviewee 2).

It is noted that the CA's Club established in 1989 as a social body in Vietnam had a similar nature as that of the Union of Accountants and Union of Auditors established in the Czech Republic after 1989, which acted as voluntary associations more akin to social clubs than professional organizations (Zelenka *et al.*, 1996). Most of the membership of the Union of Accountants in Czech was originally from accountants and book-keepers in industry, but subsequently, included accountants in public practice (Seal *et al.*, 1996).

Similarly, the Chinese Institute of Chief Accountants was founded in May 1990 to provide the chief accountants with the opportunities for sharing experience and to promote professional standards of chief accountants (Yun-Wei *et al.*, 2003). Also similar to the case in Vietnam, the membership to the Japan Institute of Certified Public Accountants (JICPA) was voluntary after its establishment in 1949 until its reorganisation in 1966 to become a professional body representing all CPAs in practice in Japan (Shiba and Shiba, 1997).

Narayan and Godden (2000) described the functions of the CA's Club in Vietnam as follows:

As its name implies, this [CA's] Club consisted of senior accountants from both government and industry and its functions were to: i) assist the government in forming financial guidelines, ii) provide a forum for practitioners and researchers to exchange views and information; and iii) organize and conduct workshops seminars for the dissemination of accounting information to the government and the profession. The Club rapidly grew from 200 members in 1989 to 600 members three years later (pp. 33-34).

Ha (2009), a former senior MoF official, noted that in its regular meetings, the main agenda of the CA's Club was to disseminate and discuss the government policies and to enable its members to exchange views and information among the CAs. Puxty *et al.* (1987) argued that a community shaped accounting practice. In Vietnam, the CA's Club played a role of an accounting community to assist its members in enhancing their practice through accounting information sharing and experience exchange. It is recalled by a senior MoF official that:

The then Minister of Finance, Ho Te, was the founder and also the first Chairman of the CA's Club (Interviewee 11).

The evidence suggests that the CA's Club, at the time of establishment, was in its infancy. Therefore, it was in need of support from the government to be able to operate. The organization and operations of the CA's Club in the subsequent periods was managed by senior leaders of the DAP, an arm of the MoF (MoF, 2001a; Do, 2008).

5.3.4.2 Governmental accounting organizations

As noted by Adams and Do (2005), the MoF, assisted by its agency – the DAP – is a unique body in regulating and supervising accounting and auditing practices and principles. The Department of Accounting Policy changed its name to Department of Accounting and Auditing Policy (DAP) in 2003 and retains this name to the present time.

It is also interesting to observe the relationship between the state and the accounting association in Vietnam in this period. There was no independence between the state and the accounting profession. In fact, they were integrated with each other: the state established and managed the organization and operation of the accounting association to serve its economic management. In its part, the accounting body, sponsored by the state, namely the CA's Club, acted as a social organisation to provide a forum for views and information exchange of practitioners and researchers, as well as disseminating accounting information to assist the government in forming financial guidelines.

Under the 1988 Ordinance on Accounting and Statistics, the MoF and the General Department of Statistics prescribed the professional code of ethics and forms of reports of all accounting and statistics respectively. Therefore, it can be argued that the state retained its overall supervision of accounting and financial activities.

It is useful to have an overview of accounting organizations in Vietnam and their functions in the Table 5.3 below:

Table 5.3 – Governmental accounting organizations in Vietnam

No.	Accounting organizations in Vietnam	Established
1	Department of Accounting and Auditing Policy (DAP)	Ministry of Finance
2	Vietnam Accounting and Auditing Association (VAA). The CA's Club is a member of the VAA.	1994
3	Vietnamese Accounting Standards Steering Committee (VASC)	1998
4	Vietnamese Accounting Standards Setting Group (VASG)	1999
5	National Council for Accountancy (NCA)	2000

Source: Adams and Do, 2005, pp. 29-30

These agencies were not independent of the government. In other words, they were state agencies. Membership of these agencies was decided by the MoF and consisted of accounting and financial specialists of MoF departments, the VAA, the State Audit, auditors in auditing firms, accountants in business enterprises, university accounting professors, etc. (Narayan and Godden, 2000).

The VASC and the Vietnamese Auditing Standards Steering Committee were both established by the MoF in 1998 and 1999 respectively, in order to implement the government's policies on economic renovation towards a market economy and the integration process. The systems of Vietnamese Accounting Standards and Vietnamese Standards of Auditing were developed on the basis of the international accounting and auditing standards announced by IFAC and the requirements of the economic conditions.

Also the systems were in accordance with the legal system and the knowledge and experience in accounting and auditing of the nation's personnel. This corresponds with the VCP's direction on the open-door policy (MoF, 2000a).

There have been 26 accounting standards and 37 auditing standards promulgated by the MoF from 1999 to 2005, applicable to all enterprises of the national economic sectors (MoF, 1999b, 2000c, 2001b, 2001c, 2002, 2003a, 2003b, 2003c, 2005a, 2005b, 2005e, 2005f). This means that state and private companies are all required to apply these standards, aiming to meet the requirements of economic renovation and financial reforms, the enhancement of the quality of accounting information and checking the quality control of accounting work in enterprises (MoF, 2000c). As the period examined in this Chapter is from 1986 – 1997, an overview of these standards is provided in next Chapter, and the list of these standards can be found in **Appendices 8 and 9**.

The National Council of Accountancy (NCA) was established in accordance with the Decision No. 92/1999/QĐ-TC dated 16 August 1999 of the MoF. The aim was to set up a senior advisory body to the Minister of Finance to advise matters relating to strategy, directions, and policies to develop accounting and auditing of Vietnam in accordance with development stages of the country's economy and the integration trends of countries in the region and the world (VAA, 2001, 2005; Nguyen, 2005a). The term of members of the NCA is three years. The appointment and removal of members of the NCA are at the recommendation of the Chair of the Council and approved by the MoF. The Chair of the NCA was the Deputy Minister of Finance, and the Vice Chairs of the Council were the Director of DAP and an executive of the VAA (MoF, 1999a; 2000b).

As evidenced, the state, market and community identified in the Puxty *et al.* (1987) model, interrelate through the 1988 Ordinance on Accounting and Statistics, in which the Vietnamese state played a dominant role in creating and facilitating the market for the state and private sectors and the community for accountants in which to operate. To have a better understanding of the activities of the accounting community, the following section discusses the development of the VAA.

5.3.4.3 Vietnam Accounting Association (VAA)

As noted earlier in this Chapter, the CA's Club is the predecessor of the VAA. Nguyen and Pham (1997) observed that:

The Accounting Society of Vietnam (ASV) was formally established in January 1994 through Decision No. 12/TTG, which was issued by the Prime Minister. Although membership is in principle voluntary, all accounting and auditing professionals were encouraged, and indeed expected, to join (p. 430).

It is observed that the accounting association in Vietnam is known in the literature as the VAA and the ASV. For consistency purposes, the VAA is used in this research. It is worth noting that the establishment of the VAA did not replace the CA's Club. The Club still exists and is operating as a sub-committee within the VAA (Narayan and Godden, 2000).

The overall objectives of the VAA are outlined by a senior official of the VAA:

The VAA is a shared home to gather those who practise in the accounting and auditing field in Vietnam to join forces for the cause of maintaining and developing the accounting profession, improving the professional quality to better serve the economic and financial management requirements of the country (Interviewee 3).

Narayan and Godden (2000) remarked that:

The Accounting Policy Department of the MoF plays a major role in most of the functions [of the VAA] and undertakes the direct responsibility for establishing national accounting and auditing standards, upgrading professional qualifications of accountants and auditors, research, and quality control of independent auditing firms (p. 36).

This indicates that unlike professional bodies in Western countries, the VAA did not have the autonomy to issue practising certificates to accountants and auditors, but rather this

was a role exercised by DAP of the MoF. As the DAP handles most of the functions of the VAA, the VAA did not to have a role in the accounting regulatory process nor the development of national accounting and auditing standards, as that of professional bodies in Western countries. This reflects the same nature as that in Continental European countries, where the accounting profession was traditionally weak (Sevic, 2004), but differed from Western countries where professional organizations have self-regulatory powers (Choi and Meek, 2011).

It is observed that the nature and activities of the VAA in this period were similar to that in Yugoslavia. Sevic (2004) noted that in the initial year of its establishment in 1955, the nature of the Federal Yugoslav Association was as a social organization, whose goals, aims and objectives were beneficial to the society as whole. As such, the Federal Yugoslav Association did not have any self-regulatory powers. Its activities included the promotion of accounting knowledge and the organization of the continuous professional development of its members.

Narayan and Godden (2000) made an observation about the membership of the VAA, whose members come from both the state and private sectors:

The financial health of the VAA is weak and the Association relies partly on sponsorship by the MoF. The annual subscription for primary members is VND 50,000 (US\$3.55). The financial problem relates more to the smallness of the subscriptions rather than to the amount of fees unpaid... There would appear to be a need for public relations campaign explaining the benefits of joining the VAA. Half of the total fees collected are allocated to the various sub-associations and half to the central committee (pp. 34-35).

It should be noted that the VAA only admits Vietnamese nationals. The following Table 5.4 provides a summary of membership structure of the VAA:

Table 5.4 – Summary of membership structure of the VAA

	Primary member	Honorary member	Sponsor member
Qualifications	<p>Graduated from a university of finance and accounting with experience of three years or more in the profession subsequent to graduation,</p> <p>Worked as a supervisor in an accounting firm with a three-year working experience or more, or</p> <p>Worked for a financial and accounting institute (as an academic institute) or university as a researcher or lecturer in accounting subjects</p>	<p>Prestigious officials and high standing in public office in the field of finance, accounting and auditing with enthusiastic assistance in the VAA's activities</p>	<p>Any persons who hold Vietnamese national are not involved in the regular VAA's activities for personal reasons, but make large contributions to the VAA.</p> <p>The contributions refer to an individual's high degree of knowledge or expertise from which the VAA can benefit through advice or other means.</p>

Source: Narayan and Godden, 2000

An interviewee who is a senior official of the VAA stated that:

Members of VAA in Ho Chi Minh City were accountants, mainly in SOEs. In the early years of establishment, it was easy to become a member of VAA as it was a social organization to gather accountants (Interviewee 20).

It is also worth noting that under the Ordinance on Accounting and Statistics, the VAA operates on the basis of government regulations as a code of ethics, as it does not develop its own code of ethics. This reflects the government's role in directing and managing the VAA's activities and also the dependency of the VAA on the government through the MoF. This is consistent with the accounting profession in developing countries, such as China, the Czech Republic and Brunei (Hao, 1999; Yun-Wei *et al.*, 2003; Zelenka *et al.*, 1996; Yapa, 1999), in that the VAA is dependent on the state and is subject to state regulations. Therefore, as observed by Perera (1989), it is necessary for government intervention in the accounting profession to safeguard public interest.

A former senior MoF official commented:

Since its establishment subsequent to the issuance of the Ordinance on Accounting and Statistics in 1988 by the government, the VAA drew attention and received support from other professional bodies in the world, including IFAC members, through MoF, as its aim was to become a professional body. Also in 1993 – 1994 the VAA began to participate in activities of international accounting bodies such as assigning its representatives to join the International Accounting Standards Board, participate in the conferences of the IFAC in Paris in 1997 and in the ASEAN Federation of Accountants (AFA) to promote state accounting (Interviewee 2).

The above comment is consistent with the VAA statement that Vietnam participated in the 15th International Accounting Festival held in Paris, France, for the first time, in October 1997 (VAA, 2001, 2005; Archival records 2, 2007).

It is also noted that the Vietnamese accounting profession became known to its international counterparts (Archival records 2, 2007, p. 12). The Conference in 1997 was attended by approximately 600 participants, of which 160 participants came from the IFAC, IASC, the Confederation of Asian and Pacific Accountants (CAPA), and accountancy associations from Europe, Asia, Australia, and Africa (VAA, 2001, 2005).

The Conference was a good opportunity for Vietnam to learn more about international accounting standards and practice, as well as to enhance the friendship between the VAA and other accounting organizations.

5.3.5 Securities market development

One of the goals of the VCP in the Doi Moi program was to rapidly develop capital markets, particularly a safe and efficient stock market (Sarikas *et al.*, 2009).

Vylder (1995) observed:

In January 1993, the government also authorized the establishment of an experimental stock-trading centre, seen by many as tentative step towards establishing Vietnam's first stock market. The centre will buy and sell government bonds as well as shares in SOEs (p. 40).

A Committee for the preparation of setting up a stock market was established by the Prime Minister at the Decision No. 361/TTg on 20 June 1995, with the objectives being to assist the Prime Minister in directing the preparation of necessary conditions for establishing a stock market in Vietnam. The Committee was tasked the following:

- To draft regulations on securities and securities market for consideration by the Government, the Prime Minister and relevant government bodies
- To draft a government decree on the establishment of a State Securities Commission (SSC) and its operational statute for approval by the Government
- To prepare the state officials on state management, securities market management and doing business on securities, and
- To cooperate with foreign countries and international organizations in organizing a securities market in Vietnam (Archival records 35, 1995, p. 1).

Subsequent to the establishment of the experimental stock-trading centre in 1993 and the Committee for the preparation of a stock market in 1995, the SSC was established at a Government Decree No. 75/CP on 1 January 1996 to exercise the state management functions on securities and securities market. As such, the SSC belonged to the

Government (Archival records 36, 1996). The SSC is the controlling authority for the stock market in Vietnam (Narayan and Godden, 2000). It is responsible for capital markets development, licensing of participants, and the issuance and enforcement of regulations (Harvey Nash, 2007).

Aiming to achieve its objectives to have a safe and efficient stock market, the government's intention was to proceed step by step to carefully accomplish meaningful economic change. Therefore, it was claimed by the Vietnamese authorities that it was a gradual and two-stage process in establishing the stock market in Vietnam. The first stage was from 1992 – 1996 when the ground work was laid down, through the development of the necessary legislation. The second stage was from 1996 – 2000 with the introduction of the stock market (Khalid and Mangla, 1996; Sarikas *et al.*, 2009).

Nguyen and Pham (1997) observed:

The absence of a well-organised capital market (including a share market with some depth) has meant that financial reporting has continued to play a relatively minor role in meeting the information needs of existing as well as potential creditors and shareholders. This comment applies with even greater force in the case of foreign investors. Improvements in the quality of financial reporting could add considerably to Vietnam's efforts to mobilize domestic savings through the local capital markets, and to attract foreign investment (p. 424).

5.3.6 Foreign direct investment (FDI) – Private sector

As noted earlier, the open-door policy determined at the 1986 Sixth Congress invited foreign direct investment (FDI) to the country. There have been a number of studies on the impact of FDI to Vietnam (Le, 1991; Vo and Pham, 2004; Beresford, 2008). The following section will summarise the increasingly important role of FDI in the Vietnamese economy, to provide a background understanding of accounting for the private sector.

A MPI official commented that:

Under the new regulations granting autonomy to SOEs and the Law on Foreign Investment in Vietnam in 1987, JVs and fully foreign-owned enterprises formed the FDI sector, especially in the fields encouraged by the government, contributing to the country's economic growth (Interviewee 17).

In fact, during 1991 – 1998, two-thirds of the FDI was directed by the government into JVs with SOEs (O'Connor, 2000; Le, 2003). It was noted by the MoF that:

Since 1991 we have commenced economic reforms and opened the economy of Vietnam. FDI to Vietnam, with nearly 3,000 fully foreign-owned enterprises or JVs between Vietnamese and foreign parties and ODA projects of international organizations, has contributed to the country's economic reforms (MoF, 2005g, p. 11).

Le (1991) noted that 140 licenses had been granted by the state up to the end of April 1990, with a total prescribed capital of nearly US\$1 billion, mainly invested in oil exploration and exploitation. The country sought bilateral cooperation with regional countries like Australia, Japan, Thailand and Indonesia on the basis of equality and mutual benefit.

A summary of some basic facts about the inflow of FDI in Vietnam is shown in the Table 5.5 as follows:

Table 5.5 – FDI in Vietnam: distribution of committed FDI

Sector	% share 1988-1994	Country	% share 1988-1995
Industry	39.3	Taiwan	16.5
Oil, gas	7.6	Hong Kong	16.3
Agriculture	3.8	Japan	9.7
Construction	8.7	Singapore	8.4
Transport and	3.7	France	5.0

Sector	% share 1988-1994	Country	% share 1988-1995
communication			
Banking	1.1	Australia	4.9
Housing, tourism, hotel	24.3	Other Asia	17.4
Other	11.5	Other OECD	13.1
		All other	5.3

Source: Khan, 1998, p. 27, cited from Dodsworth *et al.*, 1996

The non-state sector, including the FDI sector, accounted for a larger fraction of the economy, as shown in the following Table 5.6:

Table 5.6 – Sector Share of GDP

	6 th Party Congress 1986	7 th Party Congress 1991	8 th Party Congress 1996*
<u>Agriculture</u>	<u>43.8</u>	<u>39.2</u>	<u>32.2</u>
State	1.3	1.1	1.0
Non-state	42.5	38.1	31.2
<u>Industry</u>	<u>25.7</u>	<u>23.1</u>	<u>28.4</u>
State	16.1	15.1	20.0
Non-state	9.6	8.0	8.4
<u>Services</u>	<u>30.5</u>	<u>37.7</u>	<u>39.4</u>
State	15.7	17.0	18.2
Non-state	14.8	20.7	21.2
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
State	33.1	33.2	39.2
Non-state	66.9	66.8	60.8

*projected – based on preliminary Ministry of Planning and Investment data for first ten months

Source: Mallon, 1997, p. 13, cited from World Bank and MPI

Table 5.6 demonstrates that although the FDI sector grew faster than any other sector of the economy in the period from 1995, it slowed down during the late 1990s due to the

Asian financial crisis in 1997 (Nguyen, 2009). However, the positive factors in Vietnam which attract FDI flows into the country are the stable political and economic situation, the large and rapidly developing domestic market, and most importantly, the positive attitude of the government towards FDI. This resulted in changes to the country's legislation to promote the operations of the multi-sector economy, including creating a favourable environment for FDI's economic activities (Pham, 2003).

The following Table 5.7 provides an overview of FDI flows in the country from 1988 – 1998:

Table 5.7 – Overview of FDI flows in Vietnam from 1988 – 1998

	1988-90	1991	1992	1993	1994	1995	1996	1997	1998
Number of FDI projects	211	152	195	275	368	411	366	330	280
Committed FDI (US\$ million)	1,558	1,040	1,659	2,722	4,044	7,437	8,299	5,443	2,356
Implemented FDI (US\$ million)		213	394	1,099	1,946	2,671	2,646	3,250	1,956
Implementation ratio (%)		20.5	23.7	40.4	48.1	35.9	31.9	59.7	83.0

Source: Pham (2003) cited from Mekong Project Development Facility (MPDF) 1999, pp. 86-91

Whilst the Ordinance on Accounting and Statistics issued in 1988 was applicable uniformly to all SOEs, it was not compulsory for foreign-invested enterprises (FIEs) to use the Vietnamese accounting system. In other words, FIEs were allowed to use other accounting systems during this period, as noted from the Law on Foreign Investment in Vietnam promulgated in 1987:

A foreign-owned enterprise shall have its accounting books in accordance with conventional international principles and standards approved by the MoF of the

SRV and shall be subject to audit under the supervision and control of financial bodies of Vietnam (The National Assembly, 1987, p. 5).

In addition, the Ordinance of Accounting and Statistics in 1988 provided a consistent provision regarding accounting and statistics for FIEs that:

Enterprises with foreign-owned capital may use an international standard of accounting and statistics approved by the MoF and the General Department of Statistics of the SRV, and shall be subject to audit by the financial and statistical agency of Vietnam [which would be the MoF and the General Department of Statistics] (The Ordinance, 1988, p. 1).

FIEs were required to register their accounting system with the MoF and were subject to inspection by financial authorities. FIEs were required to send their annual financial statements to the investment license issuing agency, MPI, MoF, and GSO within three months from the end of the enterprise's financial year which is 31 December calendar year. Annual financial statements of FIEs must be audited by a Vietnamese independent auditing company or other independent auditing firm permitted to operate in Vietnam in accordance with auditing regulations (The Government, 1997, Articles 12, 21, 24, 65, 67, 68). The MPI was charged to be the competent authority on managing the activities of the FDI sector. Therefore, FIEs were also required to submit their audited financial statements annually to the MPI.

An interviewee who is a senior official of the MPI stated that:

The requirement to FIEs to submit their audited financial statements annually to MPI aims to officially confirm the legal validity of accounting and financial information and to ensure that the information in the financial statements is truthful. Thanks to that, the MPI has the legal basis to assess the business performance as well as the compliance with financial obligations to the state budget of these enterprises (Interviewee 18).

Schot (1996) explained the reason that the Vietnamese government allowed FIEs to use internationally accepted accounting principles in the transition period in that:

After Vietnam was opened to foreign investors, the government recognized that the Vietnamese accounting system would not meet the requirements of foreign investors (p. 217).

A former senior official of the MoF observed:

This period is the beginning of a market economy. The Vietnamese economy begins to open, but not integrate, to the world. FIEs are still allowed to use foreign accounting systems, but have to comply with Vietnamese regulations in respect of accounting and auditing requirements. They are also allowed to use foreign language and currency unit provided that these have been registered with the MoF (Interviewee 2).

From the points of view of the MPI, in particular, and the government, in general, an interviewee commented that:

By allowing FIEs to use foreign accounting systems, the government demonstrated its policies on creating favourable conditions to FDI in Vietnam in accordance with the open-door policy and economic renovation in 1986, contributing to developing the Vietnamese economy towards a market economy (Interviewee 18).

It was also noted by Usa (2009) that:

A FIE may use another accounting system with the approval of the MoF, but only if it conforms with generally accepted international accounting standards. The accounting standards of Canada, the United States and the United Kingdom are usually acceptable (p. 83).

And Narayan and Godden (2000) further observed that:

Certain foreign businesses were granted exemption from applying the Vietnamese Accounting System in 1988 and were permitted to use the recognized Generally Accepted Accounting Principles of a relevant foreign country. [However] The exemption period terminates at the end of the year 2000 and foreign-invested businesses are expected to commence applying the accounting principles of the Vietnamese Accounting System [which was promulgated by MoF in 1995 in the Decision 1141 mentioned above] from the beginning of the year 2001 (pp. 12-13).

The accounting practice was more complicated for JVs, where one partner in the JV is Vietnamese, as stated by an interviewee who was the chief accountant of a joint venture in Vietnam:

The foreign language allowed to be used in our accounting books was English, with USD as the permitted foreign currency unit. The Vietnamese partner in the JV would like the JV's financial statements to be prepared according to the existing Vietnamese accounting system; whereas the foreign partner preferred the financial statements prepared in accordance with generally accepted accounting principles for consolidation purposes. As a result, we had to keep our books in two formats: financial reporting and IAS to meet the Vietnamese accounting requirements and the parent company overseas for taxation and internal reporting purposes respectively (Interviewee 6).

This is somewhat similar to the situation in Russia during transition, where all organizations had to keep their books in four formats: i) compulsory tax accounting, ii) financial accounting as compulsorily required by the Law on Accounting and using Russian rules; iii) IFRS reporting as it is difficult to produce consolidated IFRS statements using Russian rules; and iv) management accounting for decision making purposes (McGee and Preobragenskaya, 2006).

The case in China is slightly different. The MoF of China promulgated a separate accounting system for JVs using Chinese and foreign investment in 1985 resulting from the inflow of FDI in the early 1980s, and because the traditional accounting regulations in

China were not compatible with the operations and forms of their investment and the financial reporting requirements and accounting systems of their parent companies (Yun-Wei *et al.*, 2003). In Vietnam, the MoF did not issue a separate accounting system for JVs as that in China, but allowed them to use foreign accounting systems, and at the time, the Law on Accounting did not exist in Vietnam.

The growing importance of the private sector required increasing reliance by the government on the financial reports generated by private sector enterprises for its tax collection activities (Nguyen and Pham, 1997). Therefore, whilst the FIEs were allowed by the MoF to use a foreign accounting system to maintain their accounting books, the MoF remained the authority to check the accounting work of the FIEs.

The checking of accounting work of FIEs is conducted periodically at least once a year. The MoF of the SRV assigns a competent authority to check accounting, accounting reports and give opinions about the implementation (The Council of Ministers, 1991, p. 23).

It was further noted by Usa (2009) that:

FIEs must keep their books in accordance with rules set forth by the MoF and must submit annual financial statements to the MPI and the tax authorities under the MoF within three months of the end of the year. The financial statements should include a balance sheet, a profit and loss statement and a director's report (p. 83).

A former senior official of the MoF made an important point that:

In principle, accounting is a tool of economic management and hence, follows economic mechanism. However, in certain circumstances, the Vietnamese accounting went ahead of economic management mechanism. To name a few, in the period 1988 – 1989, accounting regulation for FIEs was proactively drafted and formed whilst the government had still not fully recognized and allowed FDI in Vietnam; and provisions for bad debts and accounting policy for financial

investment were issued in 1994 when there was no stock market in Vietnam yet (Interviewee 2).

This is a very interesting point. Empirical studies in countries such as China suggest that accounting corresponds to economic development. The case of Vietnam suggests that while having its traditional role as a tool for economic management, accounting in Vietnam in some aspects was proactively reformed and ahead of the economic mechanisms. Therefore, it can be argued that the case of Vietnamese accounting in the transition period during 1986 – 1997 is problematic in this regard.

The state, represented by the MoF, retained its overall supervision of accounting activities in both the state and private sectors, to ensure the accuracy of accounting information and compliance with registered accounting systems. The overall supervision of the state of accounting work in the state sector was reflected through the requirement on the application of the unified chart of accounts and financial reports. To the private sector such as FIEs, their overall supervision was reflected through the requirement on the registration of the foreign accounting system used in the FIEs and the annual audited financial statement of the FIEs. State Audit of Vietnam was also established to conduct the audits in SOEs. This will be discussed in Section 5.6 of this Chapter.

The following section will discuss briefly the accounting training for practitioners, representing the Market in the Puxty *et al.* (1987) model.

5.4 Professional accounting training

By establishing and operating the accounting profession through accounting regulations, the state created a demand for accounting education. This resulted from the introduction of the profit-based accounting and the autonomy given to SOE managers in making decisions on production and budgeting by the state.

In order to improve the skills of accountants, especially CAs in SOEs, the state promulgated regulations in respect of accounting training, subsequent to the issuance of the Ordinance on Accounting and Statistics in 1988 and the Charter of CAs in SOEs in

1989. As a result, the Regulations on Training of CAs of SOEs were promulgated by the Minister of Finance in the Decision No. 769/TC/QD/TCCB dated 23 October 1997. The eight-week training program included two parts:

Part 1: General knowledge, consisting of the following topics:

- Topic 1: Micro-economics
- Topic 2: Marketing
- Topic 3: External economics
- Topic 4: Economic legislation
- Topic 5: Financial management in SOEs
- Topic 6: Payment and credit in SOEs
- Topic 7: Financial management in FIEs

Part 2: Professional knowledge, consisting of the following topics:

- Topic 8: The organization of accounting work in SOEs and the role of the CA
- Topic 9: Financial accounting
- Topic 10: Managerial accounting and investment project appraisal
- Topic 11: Financial statements of enterprises
- Topic 12: Analysis of financial activities in enterprises
- Topic 13: Auditing and internal audit (MoF, 1997c)

There was no taxation component in the training program.

The training program for CAs could be held by the MoF and its agencies, national economic universities which have an accounting major, and the VAA. The main objectives of the training program aimed to provide the participants with basic and in-depth knowledge, as well as new knowledge domestically and internationally in the areas of economics, finance, accounting and auditing; and it also aimed to standardize the knowledge in accounting and financial management of chief accountants of the SOEs (MoF, 1997c). The VAA invited lecturers from economics and finance universities to provide training in the program.

The requirements on accounting qualifications and practical experience in accounting work of CAs were also included in the Regulations that:

CAs of SOEs must hold a university degree or professional college majoring in finance and accounting. The practical experience requirement in accounting work will be at least three years for a university graduate and at least five years for a college graduate which include a year of being in a position of a senior accountant or a deputy CA (MoF, 1997c, p. 2).

With reference to the Puxty *et al.* (1987) model, the state supervised the training of CAs. The training aimed at ensuring the CAs were provided with essential professional knowledge to practise in the field. It could, therefore, be argued that the state influenced the supply of, and demand for, CAs for SOEs in the market.

The role of donors and multinational accounting firms (Big Six) on Vietnamese accounting will now be discussed.

5.5 The role of donors and foreign accounting firms (the Big Six)

The transition to a market economy required the improvement of the existing accounting system. A former senior official of the MoF commented:

Once Vietnam commenced its economic reforms, international organizations started to provide technical support to the country in 1993 – 1994, through European Union Project (EUROTAPVIET), aiming to improve capability of Vietnam's accounting profession, of which includes accounting association [VAA]. International Accounting Standards were translated into Vietnamese and introduced to Vietnam (Interviewee 2).

It is important to note that the technical assistance through the EURO-TAPVIET project enabled the VAA to establish relationships with international professional bodies. An interviewee who worked for one of the Big Four firms recalled:

Through EURO-TAPVIET project, the European Union agreed to provide all knowledge on international accounting and auditing by sending accounting and auditing specialists from countries in the European Union to Vietnam to work and teach in the EURO-TAPVIET project, as well as fund Vietnamese accountants to study accounting overseas (Interviewee 16).

Narayan and Godden (2000) study noted that EURO-TAPVIET was the major accounting project undertaken in Vietnam to develop skills and competencies for the Vietnamese accounting and auditing profession in a market economy. They also observed major achievements of the EURO-TAPVIET project, which included the provision of knowledge of international accounting and auditing standards through workshops, and the assistance in establishing relationships of the VAA with international European and Asian professional bodies such as the IFAC and the AFA.

Apart from the EURO-TAPVIET, the MoF also received interests from foreign accounting firms, as a senior MoF official indicated that:

Along with foreign investors, international accounting firms such as Big Six also arrived in Vietnam subsequent to the promulgation of the Law on Foreign Investment in Vietnam in 1987 (Interviewee 5).

An interviewee who worked for one of the Big Four firms observed that:

In the early 1990s, the Big Six approached Vietnam through the establishment of contacts with individuals who worked in accounting in order to help these foreign accounting firms to approach the MoF to seek investment opportunities in Vietnam (Interviewee 16).

Nguyen and Pham (1997) also noted that:

A number of major accounting firms have also set up offices in Vietnam's main cities. Among the most familiar names are Coopers and Lybrand, Deloitte Touche Tohmatsu, Ernst and Young, KPMG, and Price Waterhouse. As can be expected,

their most important clients have been businesses with foreign participation, and foreign aid projects. In addition, they are typically licensed to provide accounting and auditing services to local businesses. Despite the higher fees charged by the multinational accounting firms, some large SOEs and private corporations (without foreign participation) have preferred their services to those of local auditing companies, possibly because of a perceived quality differential in the services provided (p. 431).

Some large SOEs also received services from the then Big Five. The five foreign-owned audit firms were Ernst & Young, PricewaterhouseCoopers (Vietnam) Ltd., KPMG, Deloitte Touche Tohmatsu (Vietnam Auditing Company), and Arthur Andersen (Narayan and Godden, 2000). Accordingly, they brought international accounting systems into Vietnam which provided examples for the Vietnamese accounting regulators and professionals (Adams and Do, 2005).

The multinational accounting firms were also involved in professional accounting training. An interviewee added that:

The (then) Big Six worked with the MoF and offered free-of-charge accounting courses to accountants. Arthur Andersen was the first foreign auditing firm in the Big Six established its representative offices to operate in Vietnam in 1994. At that time, there were few staff working in the Hanoi and Ho Chi Minh City offices, but no more than 10 to 20. Before being officially established in Vietnam, Arthur Andersen offered free-of-charge accounting courses to the MoF in 1991. Subsequently, other companies of the Big Six followed this approach and offered more free accounting courses, conducted by senior managers and partners of the companies, to lecturers on accounting of Vietnamese universities, all staff of newly established Vietnamese accounting and auditing firms, MoF officials, and accountants in SOEs (Interviewee 16).

It is noted that the accounting manpower in the Big Six included Vietnamese and foreign nationals. Graduates from Vietnamese universities and those studied overseas were employed by these companies. The recruitment process of the multinational accounting firms was more robust than that in Vietnamese auditing firms. Therefore, auditors in the Big Six were more experienced than their counterparts. As a result, the quality of their services was perceived to be better than that of the Vietnamese auditing firms. However, there was a lack of auditors to meet the auditing demand, as elaborated by the senior MoF official:

In principle, auditors of an auditing firm can only sign audit reports issued by such a company. However, in reality, as the number of auditors is less than the number of companies that require to be audited, auditors of an auditing firm also involve and sign audit reports issued by another auditing company (Interviewee 5).

An interviewee who worked for one of the big firms in Vietnam recalled:

After completing the project to draft a new accounting system which was approved by the Government for implementation nationwide, it was required to have auditors to sign audit reports. Therefore, four directors of four Vietnamese auditing companies (Vietnam Auditing Company VACO, Auditing and Consulting Company A&C, Accounting and Auditing Financial Consultancy Service Company AASC and Auditing and Financial Consulting Company AFC) and some senior MoF officials were especially granted a Vietnam CPA certificate to enable them to sign audit reports. I was one of the first Vietnam CPA certificate holders (Interviewee 16).

5.6 Auditing activities

This Section briefly describes the auditing activities during this period. The Ordinance on Accounting and Statistics in 1988 required organizations to be audited once a year. This was not required previously. Therefore, it is argued that the Ordinance provided a

mandate for the establishment of an auditing profession and its activities. In other words, a market for accounting and auditing activities was created by the government subsequent to the issuance of the 1988 Ordinance.

Consequently, the government issued the Decree No. 07-CP on 29 January 1994 regarding the Regulations on independent auditing in the national economy to meet the demand for development and uniform management of independent auditing activities in the country. The Regulations defined independent audit as follows:

Independent auditing is the inspection and confirmation by professional auditors working in independent auditing firms regarding the truthfulness and appropriateness of accounting documents and records and statutory returns of business enterprises, organizations and social organizations (hereinafter referred to as accounting entities) as requested by such entities (The Government, 1994a, p. 3).

The senior MoF official recalled that:

In the early 1990s when auditing in general and independent audit in particular just formed, the MoF established the first two auditing firms –VACO and Vietnam Accounting Service Company (VASC) (Interviewee 5).

An interviewee who worked in one of the Big Four firms elaborated:

In 1991, the MoF established two Vietnamese auditing firms: VACO and VASC. These were state companies, with headquarters in Hanoi and representative offices in Ho Chi Minh City. During 1992 – 1993, these companies were divided as follows: VACO to become VACO in Hanoi and the Auditing and Consulting Company (A&C) in Ho Chi Minh City; VASC to become AASC in Hanoi and the Auditing and Financial Consulting Company (AFC) in Ho Chi Minh City (Interviewee 16).

VACO and VASC provided accounting (especially auditing) services to SOEs and privately-owned domestic businesses, as well as to foreign JVs, foreign-owned businesses, and foreign assistance projects involving funds from developed countries or international organisations such as United Nations Development Program (UNDP), Food and Agricultural Organisation (FAO) and United Nations International Children's Education Fund (UNICEF). In addition, they provided counselling services on financial management, accounting professional services and taxation to SOEs (Nguyen and Eddie, 1994; Nguyen and Pham, 1997).

It is important to note that the first two auditing companies – VACO and VASC – were established and operated by the MoF. The auditors in these Vietnamese companies were Vietnamese nationals. They obtained professional accounting training from EURO-TAPVIET project as well as the free training courses offered by the Big Six. Apart from independent auditors who conduct audits to business enterprises, the State Audit of Vietnam (SAV) was also set up to conduct audit in SOEs and government agencies, under the Decree No. 70/CP dated 11 July 1994 by the government, aiming to enhance the state inspection in the management and usage of the state budget and the national properties (The Government, 1994b). Being a member of international professional auditing organisations such as the International Organisation of Supreme Audit Institutions (INTOSAI), and the Asian Organisation of Supreme Audit Institutions (ASOSAI), enabled the SAV to integrate rapidly with the regional and international professional community and promote the cooperation, exchange of auditing knowledge and experiences (Narayan and Godden, 2000).

The establishment of the SAV as the government's organization to control the budget activities was a new step in the development of the Vietnamese accounting profession. The accountabilities and transparency of the SAV were stipulated in the Decree 70/CP as follows:

[The SAV] is to confirm and make assessment and evaluation of accounting documents and figures and audited financial statements, and held responsible before the law for the confirmed and evaluated contents... [The SAV] is to supply

the audit results to the Government and other state agencies in accordance with the government regulations (The Government, 1994b, p. 1).

It is important to note that the audit reports of the SAV were not made publicly available. This is because, as per its role, the SAV reports the audit results to the government, the National Assembly or its Standing Committee regarding the compliance with applicable laws and regulations in respect of financial statements of government agencies, departments, ministries, other budgetary units under the management of provincial agencies, SOEs and other entities prescribed or assigned by the government. It can be argued that the SAV was established to audit and report directly to the political elite that would decide what to do for the ‘common good’. This demonstrates the dominance of the VCP in retaining its control during the economic transition (Narayan and Godden, 2000; McCarty, 2001).

5.7 Summary

During 1986 – 1997, corresponding with political and economic reforms, accounting reforms were progressively undertaken. During the transition from a centrally-planned economy to a socialist market-oriented economy, the Ordinance on Accounting and Statistics was the main accounting and statistical regulation promulgated by the government in 1988. The Ordinance had characteristics of Soviet accounting, with the combination of accounting and statistics into one legal document, as the Soviet Union remained the major donor to the country in foreign aid and technical assistance until the late 1980s.

During the five-year plan 1991 – 1995, the collapse of the Soviet Union and the failure of the centrally-planned economy required the Vietnamese government to look for Western models to develop an accounting model which would suit the country’s requirements. The reform process resulted in the new accounting system issued by the MoF in 1995. This new accounting system had some elements of the French, the Soviet, and the American accounting systems. However, this accounting system was only applicable to SOEs and state agencies, not for domestic private sector and FIEs. FIEs were still

allowed by the MoF to use internationally accepted accounting systems, provided that they had obtained prior approval from the MoF.

With reference to the Puxty *et al.* (1987) organizing principles, the accounting reforms in Vietnam reflected the state's leading influence, through the issuance of accounting regulations. In addition, the state established and operated the accounting association, the CA's Club and its successor, the VAA, as a community for accountants, mainly from SOEs, to voluntarily participate in the profession. Puxty *et al.* (1987) argued that accounting professionals followed the community model of governance and regulation, sharing values and common identity and valuing feelings of belongingness among themselves.

Unlike professional accounting bodies in Western countries, where they play an active role in the accounting regulatory process, evidence indicates that the VAA operated as a social organization for accountants and the MoF remained in its dominant role in the accounting regulatory process. Also, the VAA did not have the autonomy to issue practising certificates to accountants and auditors, as this was the role of DAP of the MoF. This also reflects the common feature of civil law countries which Vietnam bases its legal system on, that is, accounting regulations are issued by the state organizations; whereas in common law countries such as the US and the UK, these are primarily in the hands of professional representatives. It is argued that during 1986 – 1997, there was no accounting profession in Vietnam as in Western countries. Rather, there was an accounting community for accountants – the VAA – as a social organization, managed by and dependent on the MoF.

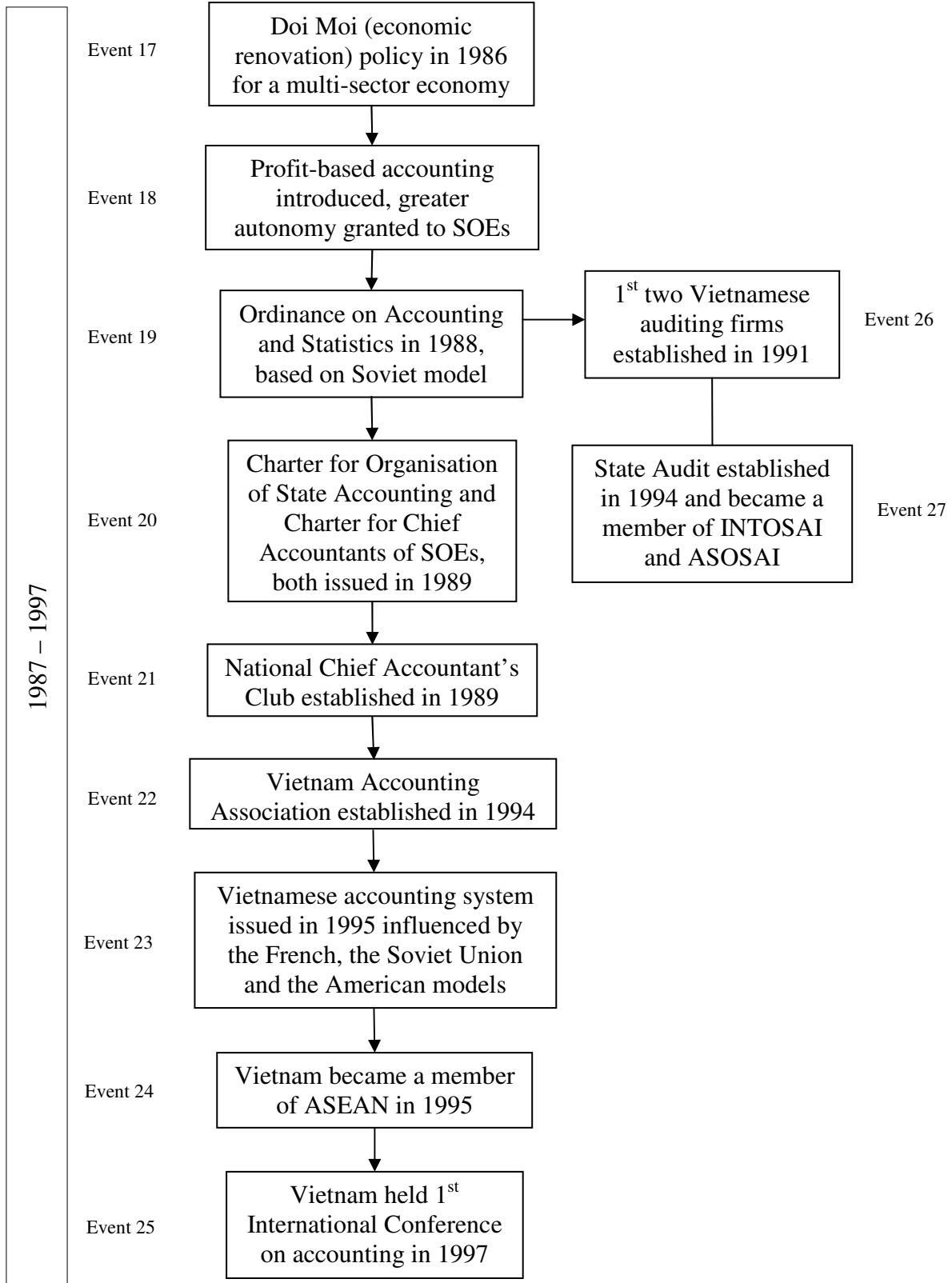
The accounting reforms in the transition to a market economy and the new accounting practices required skilled accountants. The state sought and received technical assistance from international organizations such as UNDP, the World Bank, the ADB, and the EURO-TAPVIET in accounting training, aiming to enhance the professional skills of accountants to supply to the government and business sectors. The market of professional

accountants was, therefore, established by the state. The stock market was in its infancy during this period.

In addition, the Big Six also contributed to professional training to accountants and auditors in Vietnam, by providing free-of-charge courses on international accounting and auditing as the initial means to set up networks to seek investment opportunities in the country and in return for helping them understand and gain access to the Vietnam market.

The following Chart 5-I is developed to provide an overview of major events during 1986 – 1997 on Vietnamese accounting.

Chart 5-I – Major events of accounting development in the SRV from 1986 – 1997



The removal of the economic embargo by the US in 1995 and the country's membership into international organizations have further enhanced its economic growth and hence, accounting development. The next Chapter will discuss the evolution of Vietnamese accounting in the period from 1998 to 2010, taking into account the political and economic context.

Chapter 6 – The development of accounting from 1998 to 2010

6.1 Introduction

The argument so far is that in the transition from a centrally-planned economy to a socialist market-oriented economy 1986 – 1997, the state continued its influential role in the development of accounting, although the state was no longer the only user of financial information as in the centrally-planned economy before 1986. This Chapter examines the role of the state in the development of accounting, as the economy is integrated with the world economy and investigates to what extent an accounting profession exists in Vietnam.

Laughlin (1995) argues that “... from a theoretical perspective the “medium” position is arguably a more realistic depiction of the social and technical nature of accounting systems design. As is now well recognised, in both the “economics” and “behavioural” wings of accounting research, accounting practices are not some technical, context-free phenomenon.” (p. 82). Therefore, this Chapter is organized as follows. The next section provides an overview of the political context, particularly the change in the political leadership structure. Section 6.3 presents the economic conditions while section 6.4 discusses the development of accounting in Vietnam. Section 6.5 describes professional accounting training and section 6.6 summarises the Chapter.

6.2 The political context: The change in the political leadership structure

Griffin (1998) described the changing role of the state in a market-oriented economy compared to that in a centrally-planned economy, in that the latter is much more pervasive. The following Table 6.1 provides a summary of major differences in the role of the state:

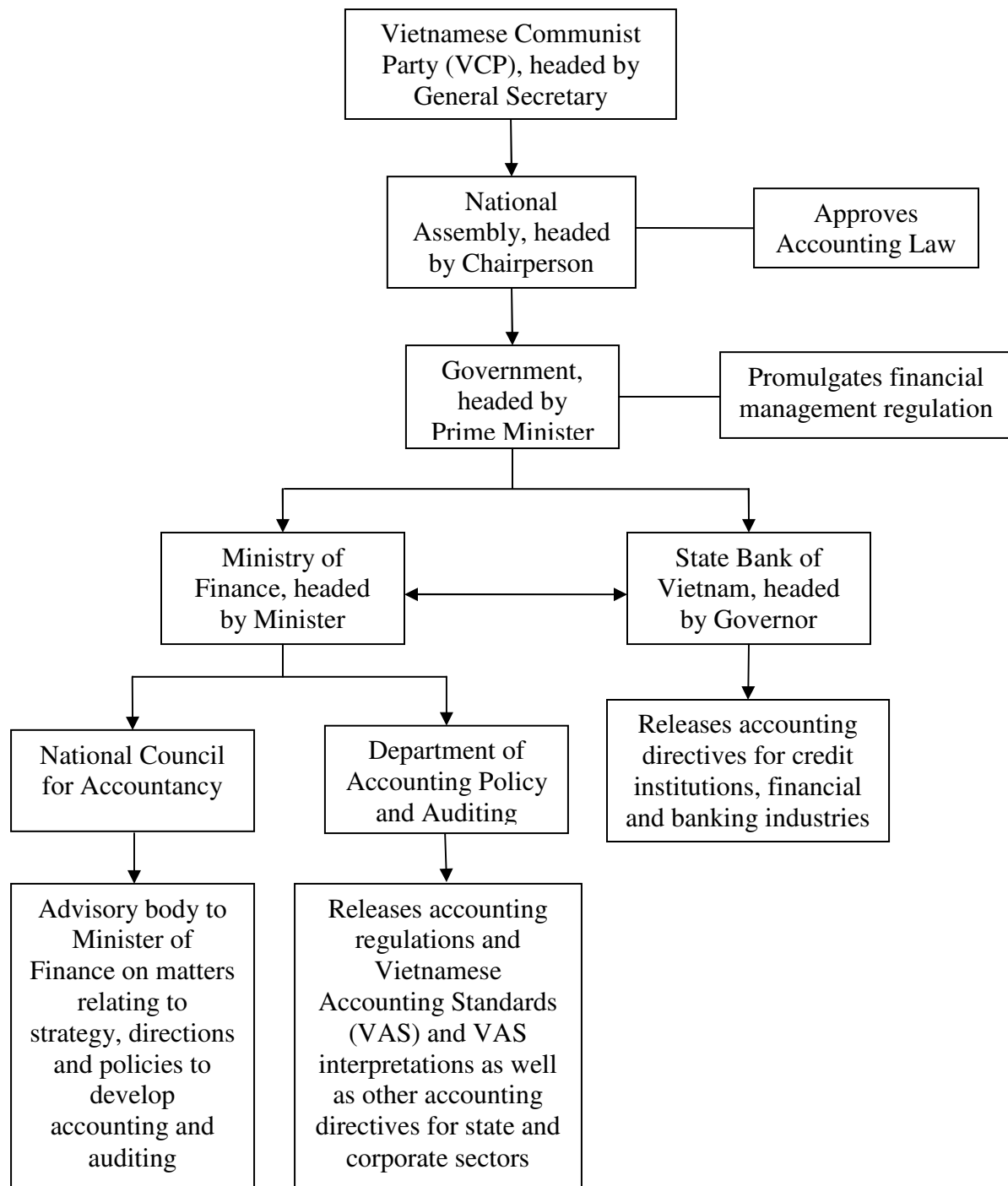
Table 6.1 – Major differences in the role of the state

Centrally-planned economy	Market-oriented economy
Resources are allocated by administrative mechanisms	Resources are allocated by the price mechanism.
The rate of investment reflects planners' preferences	The rate of investment is strongly influenced by profit expectations of individuals and privately-owned enterprises
The distribution of income reflects administratively determined wage and salary scales in the industrial sector, the operation of compulsory quota delivery schemes in the agricultural sector, and the distribution of free or nearly free public goods and services.	The distribution of income depends upon the distribution of productive wealth and market generated factor rewards (wages, interest rates, profits, rents).

Source: Griffin, 1998, p. 37

The following Figure 6.1 provides a summary of three sources of financial and accounting law and regulations in Vietnam, subsequent to the issuance of the 1992 Constitution:

Figure 6.1 – Three sources of financial and accounting law and regulations in Vietnam (1992 Constitution)



Source: MoF, 1999a; Adams and Do, 2005

6.3 Economic conditions

The achievements of economic renovation included the growth of GDP of around 8 per cent per annum during 1990 – 1997. In addition, the normalisation of diplomatic and economic ties with the US after 1995 is of paramount importance. The country joined the Asia – Pacific Economic Commission (APEC) in 1998, entered into various bilateral trade agreements (BTAs) including the BTA with the US in 2001, and most importantly, became a member of the WTO in January 2007. All of these cemented the country's integration with the world economy (Yang and Nguyen, 2003; UNCTAD, 2008; Vo, 2009).

As part of their efforts for WTO admission, the Government has undergone a drastic transformation of its legal system in order to meet international standards (Harvey Nash, 2007). In line with the acceleration of economic renovation and the move towards world economic integration in the period from 1998, accounting gained greater prominence. The accounting and auditing legal frameworks have continued to be improved towards a transparent system to meet the market economy requirements since 1998.

It is argued that the new economic conditions, that is – the development of a more socialist market-oriented economy, with the diversification of business operations, the continued changes of government role in macro-economic management, the membership to international organizations in the region and the world, and the increasing influx of FDI to the country – required an accounting system closer aligned to international practice. These factors have had a significant influence on accounting reforms and will be discussed in the following section.

6.3.1 The diversification of business operations

With the openness of the legal framework and the issuance of new laws and regulations, many limited liability companies, joint stock and private companies had also been established under the Company Law in 1990, as shown in the following table 6.2:

Table 6.2 – Number of industrial enterprises as at 30 June 1998 by industry

	Total	By		
		SOEs	Non-state enterprises	FIEs
Total	562,357	1,821	559,706	830
Exploitation industry	24,416	143	24,259	14
Processing industry	537,391	1,607	534,973	811
Production and distribution of electricity, water, and gas	550	71	474	5

Source: General Statistic Office (GSO), 1998

As shown in the above table, non-state enterprises comprised 99.5 per cent of the total number of industrial enterprises in June 1998. It is observed that the Company Law in 1990 facilitated SOEs to reorganize to become non-state enterprises not subject to state subsidization. It should also be noted that foreign investors were not involved in these new enterprises, as they are governed under the Law on Foreign Investment in Vietnam and thus formed the FIEs. The growing of the non-state sector and the change of the enterprises' ownership structure required modifications to the existing accounting system. As noted in the previous Chapters, the MoF is the government authority in charge of issuing accounting regulations to state and private sectors.

In addition, economic integration into the world economy has created new types of business transaction and financing activities, such as the transfer of land use rights of joint ventures and FIEs, equipment leasing, securities transactions and business mergers or consolidation. However, there were no regulations and guidelines to cover these issues in the existing accounting system which was developed during economic transition (Nguyen and Eddie, 1994). Therefore, there was a demand for accounting regulations to guide the treatment of these new accounting issues. Moreover, the emergence of the FDI sector which comprises JVs and FIEs has created requirements on the transparency and reliability of accounting and financial information. As a matter of fact, the gradual

breaking of the US aid embargo on Vietnam in the early 1990s and the Law on Foreign Investment in Vietnam in 1987 and its amendments in 1990, 1992, 1996 and 2000, provided foreign investors with more secure about investing in the country.

6.3.2 The expansion of internationalisation of economic activities

In the preceding Chapter, the existing accounting system promulgated in the Decision 1141 in 1995 was mainly suitable for SOEs, the dominant sector of the economy. FIEs were allowed by the MoF to use generally accepted accounting systems because the existing accounting system was seen not to be in line with international practice. As a result, the application of different accounting practices in the country subsequent to the promulgation of the Decision 1141 caused some difficulties for the Vietnamese authorities in monitoring economic activities, given that they were no longer involved in the day-to-day affairs of businesses. It is noted in a MoF report from the conference on accounting in FIEs that:

With the open-door policy, the Vietnamese State does not force FIEs to apply immediately the Vietnamese existing accounting system. Vietnam has actively been reforming the accounting system to be in accordance with international conventions and practices, aiming to implementing uniformly in the country an accounting system which is acceptable to the enterprises. Over the last 10 years, Vietnam has accepted too many different accounting systems. This is difficult in the state management of the Vietnamese State (Archival records 40, 1998, p.2).

Therefore, to enable accounting to be an effective tool for the government to oversee economic development, the government committed to conducting further reform to bring the Vietnamese accounting system to be with international practice. Thus, FIEs were required by the MoF to convert into the Vietnamese accounting system from the financial year 1997, moving towards the entire adoption of the Vietnamese accounting system from 2000 (MoF, 1997b).

As noted above, the application of different accounting systems by FIEs subsequent to the Ordinance on Accounting and Statistics in 1988 also made it difficult for the

government in comparing and compiling financial information for state management purposes. A senior MPI official stated that:

From the points of view of state management, MPI and competent authorities prefer FIEs to follow the Vietnamese accounting system uniformly as that in SOEs (Interviewee 18).

To assist its management, the MoF issued a circular requiring the audit by an independent auditing firm on the financial statements of the FIEs to ensure the reliability and truthfulness. The audit report attached to the annual financial statements must have signatures of an auditor holding a CPA certificate issued by the MoF, or a national auditor's certificate issued by the home country, which has already been recognized by MoF as being registered in the list of auditors with MoF; signature of the director of an auditing firm; and the seal of the auditing firm (MoF, 1997b, Clauses 4 and 5).

A senior MPI official added that:

From 2000 to date, the Vietnamese accounting system has been reformed towards international accounting standards. As a result, Vietnamese accounting standards have been issued. In addition, the Law on Accounting promulgated in 2003 requires all FIEs to use Vietnamese accounting system for records and in preparation of financial statements. This ensures that the financial information provided by FIEs to government authorities is based on the same accounting principles as that of enterprises in other sectors; hence better serve the government's planning and macro-economic management (Interviewee 18).

The Vietnamese Accounting Standards will be presented in Section 6.4.2 of this Chapter. The Law on Accounting is discussed in Section 6.4.3.

As noted by Perera (1989), a common practice in developing countries is that the direction in which the economy should expand is normally determined by the government and the planning authorities. Thus, the more regulated the economy, the more important is the need for the financial and other information to be generated on a uniform basis

among businesses to enhance the efficiency and effectiveness of the government's involvement in economic affairs.

6.3.3 The continued changes of the government's role in macro-economic management

In the preceding Chapter, the accounting system in 1995 was to serve the business management and tax authorities only. As such, it was driven by taxation purposes and the state sector, and considered too restrictive to assist further development of a market economy. More importantly, many characteristics of a centrally controlled management mechanism remained (Nguyen and Eddie, 1994; Yang and Nguyen, 2003).

Independent auditing plays an important role in enabling the government to exercise its macro-economic management and planning. As the government made progress on the development of a stock market and the equitisation of SOEs, the state's absolute role in business activities no longer existed. Rather, it changed its role to be one of the stakeholders. The financial information was now required to be more transparent and reliable for the stakeholders of enterprises and thus auditing became important.

It should be noted that despite the official opening of the first Vietnamese stock market in August 1997, it did not commence trading until 2000 due to the lack of regulations and resources supporting the operations of the stock market and the slow pace of SOE equitisation (Khalid and Mangla, 1996; Corfield, 2008). The equitisation process in Vietnam was only aimed at non-strategic SOEs and shares were offered to both employees and outsiders of the enterprise. The slow equitisation progress was due to administrative deficiencies such as inexperience within responsible agencies, a lack of clear and transparent guidelines particularly on the evaluation and sale of shares, and the complex valuation problems posted by an inadequate accounting system (Warner, 2000).

The following section will discuss the influence of these important factors on accounting reforms, with emphasis on the role of the government in accounting development from 1998 to 2010.

6.4 Accounting development

Puxty *et al.* (1987) suggest that an analysis of accounting regulation as a social and organisational phenomenon requires critical appreciation of its construction within a nexus of “bureaucratic controls”, “market forces” and “communitarian ideals” and that it is important to appreciate the importance of the nexus or fusion of these organising principles. These are labeled as State, Market and Community respectively. They argue that the hierarchical control (the State) is significant in the formation and reproduction of accounting practice. The state, or associated agencies, seeks to hold companies accountable for their activities and ensures that costly information is made available for both market and non-market actors – something that the market mechanism could not be relied upon to provide. With respect to dispersed competition (the Market), accounting practices pervade the modern organization and take on increasing significance as they are used to control and improve, as well as monitor, employee and organizational performance. Regarding spontaneous solidarity (the Community), a recognition of the role of the accounting profession brings us to a consideration of “community” in shaping accounting practice. The principles of hierarchical control, dispersed competition and spontaneous solidarity all play a role in the regulation of accounting practice. They also argue that accounting regulation is something that cannot be analysed by reference to only one or even two of these principles since it is clearly a mix of all three of them (pp. 278-279). This suggests that the Puxty *et al.* (1987) framework is suitable to examine the development of accounting in Vietnam during the country’s economic integration period 1998 – 2010. These three organizing principles and their interaction will be discussed in the context of Vietnam in the following section.

It was recalled respectfully by a former senior MoF official that:

In line with economic renovation program, the then Prime Minister, Vo Van Kiet, personally directed the accounting reform process (Interviewee 2).

Vo Van Kiet was the Prime Minister of the country from 1991 – 1997 and one of the political leaders who led the Doi Moi in Vietnam (The Sunday Times, 2008). In his

remarks at the Conference on the review of the implementation of the Vietnamese accounting system held by the MoF, the then Prime Minister Vo Van Kiet said, as cited in a VAA's publication that:

Accounting, as a tool for economic and financial management, has been renovated to serve the economic management and development. We have had the Ordinance on Accounting and Statistics, the unified accounting system, an approximation of half a million of accounting cadres who have been trained, in which a few are at undergraduate and postgraduate levels. This is a large and valuable cadre. However, our current accounting system is out of date and not suitable to new development of the economy. The market economy has made and is bringing a range of issues and new requirements which have not been dealt with properly by our existing accounting. Accounting information and figures are not reliable enough to assess the financial performance of an enterprise... The legal nature of accounting is still very low. The fraudulence and falsification of accounting figures and documents which have caused asset losses and damage to the economy have not been seriously punished (Vo, 2008, p. 6).

The weaknesses of the existing financial system included the poor administration of the tax system and the unsatisfactory accounting and statistical records system. This resulted in a budget deficit which was the main cause of inflation (Le, 1991).

A senior executive of a foreign-owned university in Vietnam commented that:

The issue to overcome in the Vietnamese accounting will be that standards/rules are set by the government for government's interests with little account taken for the effectiveness and efficiency of the private sector in particular, and the business sector in general, and the growth of the economy. It is probably too much emphasis on control rather than risk management and outcomes (Interviewee 7).

In an attempt to drive the country towards integration with the world economy, the Vietnamese government was committed to undertaking further reforms of the accounting

system, by learning more about international accounting standards and practices, to enhance the transparency and accountability in the financial and accounting system and safeguard the public interest as in Western countries.

A former senior MoF official observed that:

The accounting system of Vietnam during 1995 – 2000 continues to be improved to meet the requirements of a market economy, including redrafting the accounting system and re-establishing financial reporting system to make it more transparent. The financial and accounting reports have been no longer a tool of management of the State, but the enterprises. Apart from that, accounting and financial information and figures are not the State secrets, but made publicly available (Interviewee 2).

This is an interesting point. Subsequent to the open-door policy, the state decided that the financial information of enterprises could be disclosed to the community, rather than kept secret by the state as the primary user of financial reports as typical in a centrally-planned economy.

It is consistently noted in a publication of the DAP on accounting reforms since 1998 that:

From 1998 to date, the DAP has really participated in the completion of accounting and auditing framework of Vietnam, starting from the projects to draft an Accounting Law, and to prepare for the issuance of accounting and auditing standards in accordance with the requirements of market economy (Archival records 2, 2007, p. 12).

Before discussing major changes of accounting in Vietnam in the economic integration period, it is useful to briefly describe the accounting regulators in Vietnam.

6.4.1 Vietnamese accounting regulators

There was no independent auditing law existing in the country at the time of the research (2005 – 2010). It is observed from Figure 6.1 mentioned earlier in this Chapter that the legislative structure of Vietnamese accounting subsequent to the 1992 Constitution consisted of four levels. The highest level was the Law on Accounting, adopted as one of the main laws of the country, passed by the National Assembly. The second level consisted of mandatory regulations regarding the conceptual framework of accounting and financial management, endorsed by the Government. The third level included accounting systems and accounting and auditing standards announced and issued by the MoF. The fourth level comprised circulars and guidelines issued by the MoF to accountants and accounting and auditing practitioners. This reflects the hierarchical control which was argued by Puxty *et al.* (1987). It is also observed that the four levels of legislation of Vietnamese accounting are similar to that of the Russian Federation in Enthoven (1999) study.

According to the Law on Accounting promulgated in 2003, the MoF is responsible for the issuance of accounting standards on the basis of international standards on accounting (The National Assembly, 2003). Chapter II of the Law on Accounting specifically includes general provisions regarding accounting work, consisting of six major items: accounting vouchers, chart of accounts and accounting books, financial reports, accounting inspection, assets inventory and accounting records archival, and accounting work in cases of dissolution, merger, acquisition, conversion of ownership form, bankruptcy and termination of operations. Further discussion of this Law is in Section 6.4.3.

6.4.2 Vietnamese Accounting Standards (VAS)

As noted in the preceding Chapter, there have been 26 Vietnamese accounting standards (VAS) published, which are in line with IFRSs, with modifications to suit Vietnam's conditions and requirements (MoF, 2000a, 2001c, 2002, 2003c, 2005b, 2005e), because not all IFRSs are relevant to Vietnam. Technically, VASs comply with IFRSs, but some variances are maintained (Adams and Do, 2005). Micheline and Nguyen (2007) have

observed that the VAS modified the unified accounting system promulgated in 1995 to avoid conflict between the standards and the unified accounting system, and also to ensure that the unified accounting system covered the recording of transactions not covered by the VASs. The current list of 26 VAS which are applicable to all enterprises in all economic sectors of the country can be found in **Appendix 8**. All of the 26 VAS were issued by the MoF, as stipulated in the Law on Accounting in 2003. With reference to the Puxty *et al.* (1987) work, this demonstrates the influential role of the state on accounting.

Similar to other socialist states such as the Russian Federation (Enthoven, 1999; McGee and Preobragenskaya, 2006), the Vietnamese State, through the MoF, uses accounting regulations and standards to monitor accounting activities and ensure the adherence to the standards. The state has created a market for accounting services and an accounting community, the other two guiding principles in the Puxty *et al.* (1987) study. This also differs from Western countries such as the UK and the USA, where accounting standards are issued by professional bodies.

The case of Vietnam also differs from that in Australia in the 1960s and 1970s. Dagwell, Wines and Lambert (2007) noted that in 1965, the Australian Accounting Research Foundation (AARF) was created and jointly sponsored by the two major Australian professional accounting bodies – CPA Australia and the Institute of Chartered Accountants in Australia – to carry out research and develop accounting standards that the two bodies could jointly issue, aiming to avoid government intervention in the accounting standard setting process. However, the professional bodies lost their self-regulation power by 1994. In 1991, as a result of the Federal Government assuming the legislative responsibility for companies in Australia, the Australian Accounting Standards Board (AASB) was established by the Commonwealth Government (Dagwell *et al.*, 2007).

There have been a number of accounting regulations issued by the Vietnamese government from 1998 to the present. However, the focus of discussion in the following

section is the Law on Accounting, as it is the highest legal document governing the nation's accounting and auditing activities during the economic integration period.

6.4.3 Accounting regulation - Law on Accounting in 2003

The first ever Law on Accounting (LA), promulgated in June 2003 by the National Assembly, legally formalised a framework at the highest level, governing all accounting and auditing activities in Vietnam. It is noted in the archival record that it 'regulates the contents of accounting work and the organization of accounting apparatus, of accounting personnel and of professional accounting activities' (The National Assembly, 2003, p. 1).

Adams and Do (2005) commented that:

The LA marks the beginning of professional regulations for accountants. LA of 2003 stipulates qualifications, ethics, and organizational edicts for Certified Public Accountants (CPAs) and requires professional accountants to possess either national auditor or registered accountant status (p. 43).

The Law consists of sixty-four articles in seven chapters, aimed at ensuring the proper auditing of economic activity and helping both state and non-state enterprises better organize and manage themselves. It confirms that accounting is one of the tools of economic and financial management, playing an important role in governance of the national economy. The Law is applicable to all entities including state agencies, professional units, business enterprises of all economic sectors, branches and representative offices of foreign companies and co-operatives (The National Assembly, 2003). It is noted that the Law applies to all entities and businesses including FIEs in Vietnam. This differs from the case of China, where there are separate regulations on accounting for JVs and FIEs (Yun-Wei *et al.*, 2003). Also, it replaces the Ordinance on Accounting and Statistics issued in 1988 and is applicable to all economic sectors in the country (The National Assembly, 2003). The Law on Statistics was also passed by the National Assembly on the same date of the Law on Accounting's.

It is useful to observe the main difference in legal validity between the LA and the Ordinance on Accounting and Statistics. The Ordinance was promulgated by the Council of Ministers in 1988, according to the Constitution in effect at the time after the Doi Moi policy. The LA was passed by the National Assembly in 2003 in accordance with the 1992 Constitution which changes the political structure as discussed earlier in this Chapter. Therefore, by its nature, the Law has the highest legal validity. It could be argued that as accounting has gained greater prominence, it is necessary to separate accounting and statistics into separate legal documents. A former senior MoF official commented that ‘...Subsequent to economic renovation, the foundation for Vietnamese accounting and auditing has been laid, and new requirements of the accounting and auditing activities have been created. Thus, the legal framework in the Ordinance on Accounting and Statistics, promulgated in 1988, is no longer appropriate. Vietnamese accounting has moved to a new period towards completion and enhancement of its legal validity. New requirements have resulted in the promulgation of the LA in 2003’ (Dang, 2009, p. 12).

The LA is regarded as a significant accomplishment in the overall accounting reform process. It recognises the underlying principles of accounting and assimilates them into Vietnamese law, and covers major activities of the accounting profession in line with accounting trend in developed countries (Adams and Do, 2005). Its leading principles include the presentation of reliable economic information; the designation of the MoF as the body responsible for accounting standards setting and monitoring; the organization and reliability of accounting records; the separation between financial accounting and management accounting; and finally auditing requirements for publicly listed companies and FIEs (Micheline and Nguyen, 2007).

The LA requires businesses to have financial statements audited before they are submitted to state authorities (Article 34) and any published financial statements must be accompanied by an audit report (Article 32) (The National Assembly, 2003). To enable the state to exercise its management in all economic sectors in the entire economy, the financial statements required under the LA in 2003 are as follows:

Type of reports	Administrative bodies, professional entities and organizations using State Budget funding	Professional entities and organizations not using State Budget funding	Accounting entities which conduct business operations
Balance sheet	✓	✓	✓
Profit and loss statement	✓	✓	✓
Cash flow report			✓
Explanatory notes to the financial report	✓	✓	✓
Other reports required by law	✓	✓	

Source: The National Assembly, 2003

It may be useful to note the existence of similar legislation on accounting in other countries, such as Russia, China, the Philippines and Malaysia (Calanog, Roca and Vicente, 1997; Diga, 1997; Teoh and Chuah, 1997; Yun-Wei *et al.*, 2003; McGee and Preobragenskaya, 2006).

The co-existence of Vietnamese accounting standards and the LA is noted. Similar to Russia (McGee and Preobragenskaya, 2006), the Vietnamese law does not have a provision which allows the automatic adoption of any changes to IFRSs. New accounting standards can be issued from time to time and existing standards can be amended or modified as required. There is a time delay between the time a new VAS is issued, amended or repealed and the time the Vietnamese Government changes the Vietnamese accounting law. However, the case of Vietnam differs from that of China, as the Chinese Accounting Law serves as the highest level of legislation, and at a lower level,

accounting standards and regulations were regulated from 1994 – 2000 to be consistent with the provisions of the Law (Yun-Wei *et al.*, 2003).

Subsequent to the promulgation of the Vietnamese LA in June 2003, the functions of MoF have also been extended. Under the Government Decree No. 77/2003/ND-CP dated 1 July 2003, the MoF is charged to undertake the state management functions on the fields of finance and state budget, customs, accounting, independent audit and pricing nationwide; to perform the state management over public services in these fields; and to represent the owner of the state's capital at the enterprises according to regulations. Accordingly, the MoF is responsible for making submission to the government and the Prime Minister the draft laws, ordinances and other legal documents in the areas of finance and budget, customs, accounting, independent audit and pricing (The Government, 2003).

The Vietnamese MoF is similar to that in Russia, where the MoF of the Russian Federation is the body responsible for accounting in Russia, assigned by the Russian legislation. It is also responsible for financial flows to the state, a responsibility that, to some extent, affects its view of accounting reform (McGee and Preobragenskaya, 2006). In Vietnam, accounting reform is to serve the country's economic development and integration with the region and the world.

Further developments of Vietnamese accounting include the issuance of the Corporate Accounting Regulations by the MoF on 20 March 2006 to be applicable to businesses of all economic sectors in the country. According to the MoF, the rules complete Vietnam's corporate accounting regulation subsequent to the issuance of the VAS and instructions (MoF, 2006a). It is noted that the application of the 2006 Corporate Accounting Regulations to businesses of all economic sectors is an important development of accounting during this period. It may be interpreted that the Vietnamese state, through the MoF, still controls accounting practice. The emergence of the market and community for accounting will be discussed later in this Chapter.

The 2006 Corporate Accounting Regulations were issued in implementing the 2003 LA and replace previous accounting regulations, including the corporate accounting system issued in the Decision No. 1141 in 1995, discussed in the preceding Chapter. The four components of the Corporate Accounting Regulations are the chart of accounts, financial reporting system, accounting vouchers and accounting books (MoF, 2006c). These will now be briefly discussed in turn.

It is observed that in general, there are no major changes in both *accounting systems* issued in 1995 and in 2006. Some minor changes in the chart of accounts issued in 2006 include the addition of some accounts to record transactions which have not been covered in the 1995 chart of accounts, as summarized below:

Class of account	Addition accounts
1 – Short-term assets	Imported goods in warehouse for export and import companies
2 – Long-term assets	Invested real estate
	Investment in associated companies
	Long-term prepaid expenses
	Deferred earned income tax
3 – Payables	Payment by construction progress
	Issued bonds
	Deferred payable income tax
	Unemployment fund
	Payable provision funds
4 – Owner's equity	Financial provision fund
	Other funds of owner's equity
	Shares fund
	Funds which have already formed fixed assets
5 – Income	Income from financial activities
6 – Expenses	Expenses for using construction machines
	Financial expenses

Source: MoF, 2006c

Some accounts have been removed from the 1995 chart of accounts, such as extraordinary income and expenses accounts, which are replaced by the corporate income tax expenses account.

The changes in the *financial reporting system* include the requirements on quarterly financial reports which are applicable to SOEs and enterprises that are listed in the securities market. Also, the preparation of the financial statements is required to comply with applicable VAS. As of July 2010, there were 247 companies listed on the Ho Chi Minh Stock Exchange, being the largest stock exchange in the country at present (http://en.wikipedia.org/wiki/Ho_Chi_Minh_city_Stock_Exchange, accessed 25 March 2011).

6.4.4 Auditing activities

There are two types of auditing in Vietnam: state auditing and independent auditing. State auditing is conducted by state auditors and concerns audits in SOEs and government agencies. Independent auditing is conducted by the Big Four and Vietnamese auditing firms to private companies and FIEs. With reference to the Puxty *et al.* (1987) study, these are the supply of accounting labour as a community in shaping accounting practice.

Being a member of INTOSAI and ASOSAI in 1996 and 1997 respectively, the State Audit Office of Vietnam (SAV), established in 1994, has actively participated in global cooperation. It has since developed and maintained extensive relations with numerous external organisations, including a large number of prestigious supreme audit institutions and foreign agencies in the world that have entered into bilateral cooperation agreements with the SAV.

It is important to note that under the Law on State Audit in 2005, the mandate of the SAV is to serve the state control and monitoring in the management and usage of state budget and properties, and contributing to enhancing the efficiency of the use of these resources (The National Assembly, 2005). It should be noted that this Law governs the state audit

in SOEs and government agencies; whereas the Government Decree No. 07-CP in 1994, discussed in the preceding Chapter, provides regulations on independent auditing in the business sector, including FIEs. The Government Decree No. 07-CP in 1994 was replaced by the Government Decree No. 105/2004/ND-CP dated 30 March 2004 regarding independent auditing, subsequent to the issuance of the LA in 2003. This is a legal change, one of the environmental influences on accounting in the Raudebaugh and Gray (2002) study.

Under the Law on State Audit in 2005, state auditor licenses are issued by the State Auditor General to individuals who meet the criteria specified in the Law. All licensed auditors must hold at least a bachelor's degree in auditing, accounting, finance, banking, economics, law or other fields directly relevant to auditing. They must also attend a several-month training course for state auditing and serve at least five years of working in their areas of training, or have three years working as auditors at the SAV. Senior auditors are appointed by the Standing Committee of the National Assembly; whereas, the State Auditor General appoints auditors and principal auditors (The National Assembly, 2005). State auditors are ranked as follows:

No.	Rankings	Description
1.	State auditor on probation	State officials who are appointed by the State Auditor General by have not met the requirement of five years work experience in their specialized field or three years working for the SAV. Their duties are to assist in auditing activities.
2.	State auditor	State officials who are specialized in auditing are appointed by the State Auditor General to conduct relative complex auditing transactions.
3.	Principal State auditor	State officials who are specialized in auditing are appointed by the State Auditor General to organize the implementation of auditing plans and conduct complex auditing transactions.

No.	Rankings	Description
4.	Senior State auditor	State officials who are deeply specialized in auditing are appointed by the National Assembly Standing Committee at the recommendation of the State Auditor General. Their duties include the preparation of annual auditing plans and projects, the preparation of medium and long-term auditing plans of the SAV, guiding the highly complicated audits and those audits that are relevant to objects in many fields.

Source: The National Assembly, 2005; Standing Committee of National Assembly, 2006

According to the Regulations on the examination and issuance of a state auditor license, only officials of the SAV are eligible to take the exam and be issued with an auditor license. The exam consists of seven subjects: economic legislation, financial management, accounting, auditing, financial analysis, IT (national level B), English (national level B). The contents of these subjects are regulated by the State Auditor General. The exam is held once each year (State Auditor General, 2007).

Subsequent to the promulgation of the Law on State Audit in 2005, there were 552 state auditor certificates issued by the State Auditor General to those who meet all requirements for the certificate by the SAV in June 2007 (Vietnam News Agency, 2007). In its strategy on its development to 2020, state audit is anticipated to better serve the state requirements on managing the state budget, finance and properties in Doi Moi and to meet the requirements of world economic integration as well as operating in accordance with international practice and Vietnam's conditions (Standing Committee of National Assembly, 2010).

It is observed that accounting community was developing during this period. Accounting labour possesses a measure of expertise set by the State. With reference to Puxty *et al.*

(1987), accounting and auditing practitioners offer a valued source of personal satisfaction, collective identity and social esteem for spontaneous solidarity. In addition, the Statute on Internal Auditing of SOEs was issued by the MoF in 1997, effective from 1 January 1998, providing guidance to SOEs in setting up and maintaining an adequate and efficient internal audit system (MoF, 1997a).

Therefore, the auditing regulations are summarised as follows:

Year	Type of auditing	Regulations reference	Issuing body
1994	Independent auditing	Decree No. 07-CP on 29 January 1994	The Government
1994	State auditing	Decree No. 70-CP dated 11 July 1994	The Government
1997	Internal auditing of SOEs	Decision No. 832 TC/QD/CDKT on 28 January 1997	MoF

Source: The Government, 1994a; 1994b; MoF, 1997a

6.4.5 Vietnamese Standards of Auditing

It is noted in the preceding Chapter that there have been 37 Vietnamese Auditing Standards issued by the MoF. These standards can be found in the **Appendix 9** of this thesis.

The following section discusses the role of the MoF in the activities of accounting associations in Vietnam, representing the accounting community in the Puxty *et al.* (1987) model. The discussion on the development of the accounting community helps address the research question on the extent an accounting profession exists in Vietnam.

6.4.6 Vietnamese accounting bodies

It is argued that the membership of international professional organizations such as IFAC and the AFA demonstrate the recognition of the accounting profession in Vietnam by its

international and regional counterparts. This will be discussed in turn in this Chapter. Before doing so, it is important to note the process of Vietnam becoming a member of IFAC.

A former senior MoF official explained that:

From 1989, subsequent to the promulgation of the Ordinance on Accounting and Statistics, the country began to receive interests from international professional bodies. Amongst these organizations, IFAC provided assistance to the Vietnamese Government, through the international professional bodies that were members of IFAC. In addition, subsequent to its establishment, the CA's Club also received assistance and had correspondence exchange with international professional bodies. The VAA was then established in 1994 and participated to activities of international accounting organizations, for example, International Accounting Standards Board in 1994, IFAC Conferences in Paris, AFA in Malaysia etc. However, the VAA was not able to actively participate to IFAC activities due to Vietnam's geographical distance and financial difficulties. Instead, the VAA is more active in AFA activities. In 1996, with the assistance of EURO-TAPVIET and the French Accounting Association, Vietnam started procedures for admission to IFAC, then attained admission in 1998 (Interviewee 2).

Narayan and Godden (2000) noted that the EURO-TAPVIET project introduced the International Accounting Standards to the Vietnamese Government, and the EU played a catalyst role in assisting the VAA to join IFAC and become a member of the international accounting community. With reference to Puxty *et al.* (1987), the VAA membership of IFAC indicates the recognition of the VAA that can benefit from a sense of belonging to an accounting community.

It is also observed that the AFA is not a professional body. By nature, it is a regional accounting organization for accounting associations of ASEAN countries. Every two years, it holds a conference in a member country to share experiences on accounting development and discuss specific topics. The researcher attended the AFA's 14th

Conference in Vietnam in 2005, when the VAA held the presidency of AFA, under the theme of establishing a unified market for accounting and auditing services in ASEAN. With reference to Puxty *et al.* (1987), the VAA's membership to the AFA suggests that the VAA is not only a community for accountants in Vietnam, but also regarded as a member of the accounting community in the region, aiming to "satisfy their mutual needs for a shared affective existence and a distinctive collective identity" (Streeck and Schmitter, 1985, p. 7). Walker (1991, pp. 260-261) also noted MacDonald (1984, 1987) observation that "...the professional association is not instigated to ensure the efficient and competent discharge of professional functions but is a means to the achievement of the collective social mobility of practitioners".

The VAA membership has grown over the years, as said by a senior MoF official:

Up to 2004, VAA members have grown to approximately 7,000 – 8,000 (Interviewee 5).

A senior official of the VAA in Ho Chi Minh City commented that:

We [VAA in Ho Chi Minh City] have had some difficulties in maintaining a list of members, as we have to reply on the reports of our associates. We have 29 associates under VAA in Ho Chi Minh City, which are located at the enterprises, normally large companies. An enterprise can organize an associate of the VAA if it has 5 – 6 accountants who are members of the VAA. The associates themselves have also had difficulties in managing their list of members, as their members moved to other companies without timely reporting their new associate to the head of the existing associate (Interviewee 20).

The evidence suggests that maintaining an up-to-date list of VAA membership has been a challenge for the VAA, and that the hierarchical control within the VAA is not strong. It is expected that a mechanism to manage the VAA membership will be in place in the future. The VAA membership is illustrated in the following Table 6.3:

Table 6.3 – VAA membership growth 1994 – 2009 (15 years) (full members only)

Year	Members
1994	Nearly 300
2004	Over 7,300
2005	8,000
2009	Over 12,000

Source: Vietnam Financial Times, 2004; Vietnam Business Forum, 2005; Ha, 2009

Over the ten years since its establishment (1994 – 2004), together with the growing membership, the VAA has popularised accounting and auditing knowledge nationwide and attracted the participation of accountants and auditors (Vietnam Business Forum, 2005). How the VAA popularised accounting was explained by a senior official of the VAA in Ho Chi Minh City that:

We [VAA Ho Chi Minh City] organised regular activities for members to provide updates to our members on new policies and regulations on accounting, finance and taxation. These activities are held monthly. In addition, we have also been in cooperation with the ACCA to organise seminars to enable our members and those who are interested in the seminar topics to keep up-to-date on matters relating to accounting activities in the world. These seminars are held quarterly and as demand arises. Apart from that we have maintained our website so that our members can be kept informed of new regulations for self-study, schedules of our training activities and outcomes from membership activities (Interviewee 20).

The VAA serves as a community for accountants and auditors, with reference to the Puxty *et al.* (1987) guiding principles and is protected in the LA in 2003. The accounting community is developed to sustain accounting knowledge among its members who are accountants in SOEs, FIEs, accounting and auditing firms and private companies. The LA has provisions relating to the right to participate in the Vietnamese accounting association or other professional accountancy bodies, with the objective being to develop

professional accountancy and protect the legal rights and interests of members of associations in accordance with the provisions of the law on associations (The National Assembly, 2003). It should also be noted that in Vietnam, there is a separate regulation governing the activities of associations, as explained below.

According to Decree No. 86/2002/ND-CP dated 5 November 2002 by the government providing provisions on the functions, duties and organizational structure of ministries and ministerial bodies, ministries are responsible for guiding and facilitating associations to participate to their sector activities. Apart from that, in accordance with the Decree 86, the Ministry of Home Affairs (MoHA) is tasked to approve charters of associations and to provide guidance on the implementation of the association's charter (The Government, 2002). This explains why the VAA Charter is approved by the MoHA, not the MoF, while the VAA's activities are guided and facilitated by the MoF. This can be regarded as a unique characteristic of the legal framework in Vietnam, reflecting the state dominance.

Subsequent to the promulgation of the LA in 2003, a number of organisational changes were made for the VAA, including the change of the name of the Vietnam Accounting Association to Vietnam Association of Accountants and Auditors (VAA) in 2004, to be in line with the development of the accounting and auditing profession in Vietnam. According to its new Charter, the VAA is under the state management of the MoF and responsible for the expenses relating to its operations (MoHA, 2004a). As noted in the preceding Chapter, the expenses of the VAA were partly sponsored by the MoF and by membership subscription. The change requires the VAA to be more efficient in its operations. The objectives of the VAA are defined in its Charter that:

The VAA is a body for organizations and individuals practising in accounting and auditing in Vietnam. The Association's operation aims to mobilize and unite the organizations and individuals operating in the field of accounting and auditing in Vietnam for the cause of maintaining and development of the profession; enhancing professional quality; maintaining professional ethics to better serve economic and financial management requirements of the country, and integrating

with professional accounting and auditing bodies in the region and the world
(MoHA, 2004b, p. 2).

The VAA Charter, however, does not contain political ideology of the state, as it is established as an association, not a political organization, as in the case of the charter of the Accounting Society of China (ASC), founded in January 1980. Yee (2009) noted that the ideology of the Chinese government is clearly reflected in the ASC charter, even incorporating the propaganda slogan of the Chinese leaders in its principal article, such as ‘uphold Marxism – Leninism and Mao Zedong Thought in integrating theory with practice, and speeding up the realization of four modernizations under socialism’ (p. 84). It is observed that the case of Vietnam is different, as the Ho Chi Minh Thought is not mentioned in the VAA Charter. In addition, it is also observed that the VAA is not a scholarly body as that of the ASC. In China, subsequent to the many years since its establishment, the ASC has played an active role in accounting research, through the production of the academic journal titled Accounting Research and the organisation of annual meetings and special academic conferences. As such, the ASC has an important role in reviving accounting work in China (Yee, 2009).

In Vietnam, the official VAA’s publication is the Accounting Magazine, contributed by retired and incumbent government officials, accountants and auditors, lecturers in universities, and VAA members. Its nature is a forum to share news and experience, not an academic journal. The Accounting Magazine is published by the VAA to disseminate member experience – this is in line with Puxty *et al.* (1987) community principle – by doing this, accountants share their knowledge, unite for their claims, and consolidate their specialization.

Therefore, it is observed that the legal framework, reflected through the LA and other accounting regulations, for accounting and auditing of Vietnam support the operations of accounting associations. The Vietnamese accountants and auditors have been trained by the VAA and the Big Four to be able to work in new environment of a market economy, and a majority of them are very committed to act in good faith. However, there are some

limitations. For example, the new environment requires Vietnamese accountants and auditors to be proactive in their work by providing timely and useful information for decision making purposes, whereas a majority of them has been used to work in a responsive environment in a centrally-planned economy, so it takes time for them to adapt to the conditions of a market economy. In other words, information from accounting and auditing during this period not only served accountability and managerial purposes, but also was a service (Dang, 2007).

In Vietnam, the state played an influential role in the foundation and the development of the accounting profession and the professionalization process of accounting. The discussion about Vietnamese CPAs now follows.

6.4.7 Vietnamese CPAs

For the first time, Vietnamese certified public accountants (CPA) status was defined and recognized in the highest legal document, the LA in 2003. In addition to the Chief Accountants (CAs), there now existed independent auditors and accounting practitioners which will be examined in this section. Also for the first time in its history, there was a market for accounting services, created by the government, through the promulgation of the LA, by including provisions in the Accounting Law the requirements for annual audits and audit reports to be signed by CPAs. The LA also allows enterprises to hire external accounting practitioners (The National Assembly, 2003). The accounting services to Vietnamese private companies and FIEs are provided by domestic auditing firms as well as the Big Four.

The provisions relating to the hiring of external accounting personnel resulted from the government's commitment to accounting reforms for transparency. The financial and accounting information of enterprises in a market economy is no longer a state secret to only serve government authorities as the only user as in the centrally-planned economy. In addition, evidence from archival records and interviewees arguably indicates that the pressures from globalization and the information needs of government agencies,

businesses and FIEs to enhance good corporate governance, are also contributory to accounting reforms to be in line with international practice.

Implementing the provisions of the LA, Regulations on the examination and issuance of the auditor certificate and the accounting practising certificate (also known as registered accountants) were issued by the MoF under the Decision No. 59/2004/QD-BTC on 9 July 2004. This Decision was then replaced by the Decision No. 94/2007/QD-BTC dated 16 November 2007 by the MoF. The major differences between the Regulations on the examination and issuance of the auditor certificate and the accounting practising certificate issued in 2004 compared with that in 2007, are the extension of conditions for taking the exams and the contents of the exams. According to both Regulations, those who have obtained the auditor certificate and the accounting practising certificate issued by MoF may choose to work in an auditing firm or in an enterprise (MoF, 2004a, 2007b). The state auditor certificate is issued by the State Auditor General as discussed above, whereas, the Vietnamese CPA certificate is issued by the MoF to independent auditors and accounting practitioners, as governed by both the Decision No. 59/2004/QD-BTC on 9 July 2004 and the Decision No. 94/2007/QD-BTC dated 16 November 2007.

The Decision No. 94/2007 was amended and supplemented by the Circular No. 171/2009/TT-BTC dated 24 August 2009 by the MoF to extend conditions to Vietnamese and foreign nationals in taking the Vietnam CPA exam (MoF, 2009). It is argued that this creates an environment in which Vietnamese CPAs can work in the international accounting arena and foreign CPAs can enter into the Vietnamese accounting market. A summary of the changes in conditions for taking the exams for the Vietnamese CPA certificate to independent auditors and accounting practitioners, applicable to Vietnamese nationals under both Decisions can be found in the **Appendix 10**.

The MoF maintains the monopoly on independent auditing practice. It has the authority to set the exams content, issue the Vietnamese CPA certificate and maintains an enforcement mechanism. It is also noted that the examination is the only way for obtaining a CPA certificate in Vietnam, which is centrally granted by the MoF. It is

recalled by an interviewee who is retired from one of the Big Four firms in Vietnam and was one of the first Vietnamese being granted the Vietnamese CPA certificate by the MoF that:

The MoF has held the Vietnamese CPA examination once a year since 1995. In the early years of the exam, the issuance of the Vietnamese CPA through the exams was quite easy. In the latter years to date, the organization of the exams and the exams content has been improved (Interviewee 16).

Ha (2007) also noted that the MoF has been the authorized body to organize annual CPA examinations since 1996. Up to 2005, the MoF had organized 11 examinations and in over 5,200 practising accountants and auditors, 970 were awarded the Vietnamese CPA certificate by the MoF.

With reference to the Puxty *et al.* (1987) guiding principles, the state is represented by the MoF, which has the authority to decree the practices that accountants are required to follow by law and to maintain an enforcement mechanism. Apart from that, the state has also created a market for accountants and auditors, by requiring compulsory annual audits under the Government Decree No. 105/2004/ND-CP dated 30 March 2004 on independent auditing:

It shall be compulsory for the annual financial statements of the following enterprises and organizations to be audited by an auditing enterprise: a) enterprises with foreign owned capital, b) organizations with credit, banking and Development Assistant Funds operations, c) financial organizations and insurance business enterprises, d) in the case of shareholding companies and limited liability companies which are listed or trade on the securities market, they must be audited in accordance with the law on securities business; and if they borrow bank loans, they must be audited in accordance with the law on credit... The annual financial statements of the following enterprises and organizations shall be audited by an auditing enterprise in accordance with this Decree: a)

SOEs, b) reports on finalization of investment and construction capital of group A projects (The Government, 2004, Article 10).

It should be noted that shareholding companies and limited liability companies which are listed or trade on the securities market are separately governed by the Law on Securities, which is not examined in this study. This has been included in the limitations of the study.

Group A projects are defined in the Government Decree No. 24/2000/ND-CP which provides guidelines for the implementation of the Law on Foreign Investment in Vietnam. They include those projects in the fields of developing infrastructure (for industrial zones, export processing zones, hi-tech parks, urban areas); projects in key industries serving society and the economy such as sea and air transport; petroleum, post and telecommunications and projects in the field of national defence and security. Also, projects with investment capital from USD40 million in the fields of electricity, mineral resources, metallurgy, cement, mechanism, chemistry, hospitality and recreational zones and projects with urban land from 5 hectares and other type of land from 50 hectares are also classified as group A projects (The Government, 2000, Article 114).

It is also observed that the requirements on the Vietnamese CPA are similar to the CPA requirements in China. The Chinese CPA is approved by the state, though the MoF, to undertake auditing and accounting work. Conditions for applicants who wish to be eligible for the CPA certificate include a minimum of two years of work experience in accounting and auditing which must be obtained within five years of completing the CPA examination (Hao, 1999; Yun-Wei *et al.*, 2003). Whilst the MoF in Vietnam creates a market for, and maintains its control on, accounting services, the Czech government adheres to libertarian ideology and *laissez-faire* policies. As a result, the Big Six plays a dominant role in forming an accounting profession in the Czech Republic, which is relatively free of local political control and hence, lacks of distinctive Czech dimension (Seal *et al.*, 1996).

However, in the case of Vietnam it is different, as the state has created and influenced the accounting profession and practice. The Big Four has not played a dominant role in forming an accounting profession in Vietnam. They conduct audits on listed companies, private enterprises and FIEs and produce audit reports for these companies to submit to the Vietnamese authorities, including the MoF.

The following Table 6.4 is developed to provide a summary of subjects in the exams for the state auditor certificate, independent auditor certificate and accounting practising certificate applicable to Vietnamese nationals under both Decisions.

Table 6.4 – Summary of subjects in the exams for the state auditor license, independent auditor certificate and accounting practising certificate for Vietnamese nationals

Subjects	State auditor certificate exam	Independent auditor certificate exam	Accounting practising certificate exam
Decision 59/2004			
Economic legislation	✓	✓	✓
Financial management	✓	✓	✓
Accounting	✓	✓	✓
Auditing	✓	✓	
Financial analysis	✓	✓	
Monetary and credit		✓	✓
IT (national level B)	✓	✓	✓
Foreign languages	English (national level B)	English, Russian, French, Chinese, or Germany (national level C)	
Decision 94/2007			

Subjects	State auditor certificate exam	Independent auditor certificate exam	Accounting practising certificate exam
Economic legislation and enterprises law		✓	✓
Advanced finance and financial management		✓	✓
Advanced taxation and tax management		✓	✓
Advanced financial accounting and advanced management accounting		✓	✓
Advanced auditing and auditing services assurance		✓	
Advanced financial analysis		✓	
IT (national level B)		✓	✓
Foreign languages (national level C)		✓	

Source: MoF, 2004a, 2007b; State Auditor General, 2007

The level of knowledge required for an independent auditor is much higher than that of a state auditor in order to meet the demands of enterprises. With the growth of the non-state enterprises, shown in Table 6.2 above, it suggests that the market for independent auditor is larger than that of the state auditor.

This leads to the demand on professional training of accountants and auditors which will be discussed under the accounting training Section 6.5 in this Chapter.

In addition, it is noted that both Decisions 59/2004 and 94/2007 included provisions on exemptions of certain tests for Vietnamese nationals, as summarised in the Table 6.5:

Table 6.5 – Exemptions of certain tests to Vietnamese nationals

	Decision 59/2004	Decision 94/2007
Foreign language test		
Group 1	Holders of a bachelor degree in foreign language in one of these five foreign languages: English, Russian, French, Chinese, Germany; or graduating from universities in Russia, France, China, German	Holders of a bachelor degree in foreign language in one of these five foreign languages: English, Russian, French, Chinese, Germany; or graduating from universities in Russia, France, China, German
Group 2		Those who have obtained the TOEFL 450+ or IELTS 5.0+ within three years from the year of these certificates to the year of application for the CPA exams
Group 3	Male from 50 years of age and female from 45 years of age who are holders of a foreign language certificate at national level C or a bachelor degree in foreign language in one of these	Male from 50 years of age and female from 45 years of age who are holders of at least a foreign language certificate at national level C in one of these five foreign languages: English,

	Decision 59/2004	Decision 94/2007
	five foreign languages: English, Russian, French, Chinese, Germany	Russian, French, Chinese, Germany
IT test		Holders of a bachelor degree in IT
Foreign language and IT tests		Those who have been granted a Certificate of Appraiser on Prices by a competent authority

Source: MoF, 2004a, 2007b

It is observed that the extension of exemptions under the Decision No. 94/2007 suggests the diversification of educational backgrounds of those who are granted a Vietnamese CPA certificate to enable them to meet the demand of a multi-sector economy and the complexity of the business activities. It also demonstrates the recognition of overseas qualifications in Vietnam which will contribute to enhancing the quality of accounting and auditing services and ultimately provide for a stronger profession.

With reference to the Puxty *et al.* (1987) model, through its regulations, the state demonstrates its strong support to better supply accountants and auditors to the market, by recognising the diversification of educational backgrounds of Vietnamese CPA holders. The three guiding principles in the Puxty *et al.* (1987) study are intertwined and complement each other, in which the state plays the dominant influence.

In addition, the MoF also allows foreign accounting practitioners and CPAs to practise in Vietnam, provided they pass a knowledge test organized by the Vietnam CPA Examination Board, set up by the MoF. These personnel include those working in foreign accounting and auditing firms in Vietnam or running their own business in accounting and auditing services as permitted under the Law on Foreign Investment in Vietnam (MoF, 2007b).

According to the VACPA, there are total of 50 auditors who are qualified to practise in Vietnam in 2011, of which there are 5 foreign auditors (VACPA website, <http://www.vacpa.org.vn/index.php?o=modules&n=main&f=home&Language=vn>, accessed 27 October 2010). It is noted that VACPA publicly publishes annually the list of auditing firms and auditors that are qualified to provide auditing services in its website. A summary of conditions and exam requirements for foreigners who are holders of a foreign accounting specialist certificate or foreign CPA to be eligible for taking the knowledge tests on Vietnamese legislation for the Vietnamese CPA certificate under the Decision 59/2004 and the Decision 94/2007, can be found in **Appendix 11**.

Under both Decisions, the Vietnamese CPA holders will be eligible for registering to practise in accounting and auditing and provide accounting and auditing services (MoF, 2004a, 2007b). These groups all belong to the VAA.

In addition, the VAA's tasks set in its Charter include:

The VAA is to gather, unite and encourage its members in helping each other to improve their capacity, professional skills and knowledge on finance, accounting and auditing; ...and to protect the legitimate rights of its member organizations and individuals (MoHA, 2004b, Article 5).

As the accounting profession in Vietnam is further developed, with the recognition of the Vietnamese CPAs, it is necessary to have a professional accounting body for CPAs, rather than a social organization, to be able to work with other professional accounting bodies in the region and the world. A senior MoF official stated that:

The transformation of the VAA from a social organization to a professional body faced some difficulties, such as the change of management mechanism and operations of a social organization to that of a professional body, and not all VAA members had obtained a practicing certificate. Therefore, we [the Government] must establish a professional body, the Vietnam Association of Certified Public Accountants (VACPA) in 2005. In the early stage, VAA mainly manages the

accounting practice, and VACPA is responsible for managing auditing practice
(Interviewee 5).

It is noted in a publication of the VAA that the VACPA was founded in April 2005 as a member of the VAA to be a new avenue for professional activities (VAA, 2009). It is also noted in the VACPA Charter:

The VACPA is a professional body for independent auditing practitioners in Vietnam, and is established on the basis of voluntary, equal and mutual benefits. The objectives of the VACPA are to gather and unite individuals who are all working in the auditing profession; to maintain, develop and improve capacity of CPAs, quality of accounting and auditing services, adherence to professional code of ethics to actively contribute to the financial and economic management of businesses and the country; to expand the cooperation; to integrate with professional accounting and auditing bodies of other countries in the region and the world (MoHA, 2005, Article 2).

The Charter of the VACPA is a document outlining the organisation and operation of the VACPA. It is recommended by the delegates at the National Festival of CPA and endorsed by the MoHA. Its contents consist of the following:

- Name of the VACPA, objectives and scope of operations
- Rights and duties of the VACPA
- Membership, rights and duties of members
- The organisation and governance of the VACPA
- Assets and finance of the VACPA
- Commendation and disciplinary measures
- Implementation provisions (MoHA, 2005)

The VACPA Charter is a guideline on how the VACPA is organized and operated, in other words, how its administrative arrangements are organised. As such, it differs from

the Royal Charter of the Incorporated Institute of Accountants in Victoria (VIC), which has connotations of social prestige (Chua and Poullaos, 1993).

The VACPA's objectives are consistent with the VAA's, and are subject to state management in respect of the accounting and auditing profession exerted through the MoF. This indicates that although the state is still the main source of accounting and auditing knowledge via its control over accounting legislation, the dissemination of this knowledge is in the hands of the newly-established VACPA. However, the qualification process remains with the MoF. A senior official of MoF elaborated:

From the beginning of its establishment, the VACPA has determined to be a truly professional body. As such, the compulsory requirement for admission to the VACPA is that the applicant must have a Vietnamese CPA certificate. Therefore, VACPA members are considered skillful (Interviewee 5).

The above comment of the interviewee is consistent with the provisions in the Charter of the VACPA and the provisions under relevant regulations regarding the conditions on obtaining professional practising license discussed earlier in this section (MoHA, 2005; MoF, 2004a, 2007b).

The VACPA has followed the ACCA model in respect of operations and management structure, as it aims to become a professional body like the ACCA, rather than a social organization like the VAA. From the points of view of Vietnamese officials, apart from its self-managed operational model which the VACPA would like to learn from, the ACCA is a professional body as it provides internationally-recognised qualification to enable its members to practise anywhere in the world. The Vietnamese state, through the MoF, expects the VACPA to be able to represent its members in the country as well as in the region. The state influenced the establishment and operations of the VACPA, as senior executives of the VACPA are MoF officials. The ACCA provided assistance through sponsoring visits of senior MoF officials to its headquarters in the UK to learn about the operations of a professional organization. Unlike ex-British colonies such as Trinidad and Tobago (Annisette, 1999, 2000, 2010), Kenya (Sian, 2010), Malaysia

(Susela, 1999, 2010), and Sri Lanka (Yapa, 2006, 2010), where the ACCA influenced the establishment of accounting professional organizations in those ex-colonies, the VACPA was established by the government.

The senior MoF official added:

The organization and management structure as well as the operation mechanism of the VACPA is very transparent, followed the international model of the ACCA's operation. The management structure of VACPA consists of 15 members, in which myself (albeit a government official) and directors of auditing firms who have had the Vietnamese CPA certificate and have been working in accounting and auditing firms for many years. However, the VACPA management also has a university lecturer and a representative from the VAA who have not had a Vietnamese CPA certificate. The VACPA operates on the basis of transparency and equality and aims to enhance its reputation and its members' prestige and status (Interviewee 5).

In his talk in a Vietnam Business Forum, the senior MoF official emphasised the membership requirements that:

The internationally standardised VACPA requires higher membership qualifications [compared to that of the VAA]. Formal members are required to have obtained professional qualifications and practising certificates which are issued annually by the MoF. The certificates and qualifications certify that members possess professional ethics, higher education graduation diplomas, five-year experience and success in the examination of eight subjects organised by the MoF (Vietnam Business Forum, 2005).

The senior MoF official further advised that:

The unsuccessful transformation of the VAA to become a professional body during 2000 – 2004 was because leaders of the VAA were government officials and lecturers who had not been practising accounting. Therefore, they did not

have a clear direction and an understanding on how a professional accounting practising operated. So, they were unable to lead the VAA in becoming a professional body. Apart from that, those members who have obtained the Vietnamese CPA certificate and been practicing do not accept to be led by those who have never been practiced in accounting and auditing. As the VACPA is led by those who have practiced in accounting and auditing, they are able to put forward directions for the operations of a professional body (Interviewee 5).

The evidence indicates that the lack of practical work experience in the accounting and auditing field meant the VAA was unable to become a truly professional accounting body as in Western countries. In addition, while the objectives of the VAA and the VACPA, set in the Charter, are to gather and unite those who work in accounting and auditing, under the umbrella of the MoF, the evidence suggests that there is internal competition or rivalry among the members.

With reference to the Puxty *et al.* (1987) model, spontaneous solidarity is the guiding principle of ‘community’ who has a desire to share common values, with the common motive of all actors being to satisfy identity. Those members who have obtained the Vietnamese CPA certificate and been practising accounting and auditing are unable to share such experience with members who have not been practising nor hold the Vietnamese CPA status. Therefore, the interview evidence indicates that the establishment of the VACPA enables its members to share common values among themselves and with their international counterparts to satisfy their identity and status.

The VACPA’s operation is on the basis of being voluntary, self-managed and self-sufficient financially, as noted in its Charter (MoHA, 2005, Article 3). What it means is that the VACPA’s operation is required to be financially self-sustainable and not dependent on the state budget. However, professional autonomy does not mean that the VACPA has self-regulatory powers in setting accounting and auditing standards, nor can it issue practising certificates to accountants and auditors. These still belong to the MoF. The senior MoF official commented that:

To enable an association to operate, it needs to collect membership fee which is the major source of income to sustain the association's activities. To be able to charge a reasonable membership fee, the services provided must be adequate. While the annual membership fee of the VAA is VND 50,000 (US\$3.55), it is VND 1 million (US\$71) per year to join the VACPA. This high fee is acceptable to VACPA members. The services provided by the VACPA include knowledge update and providing information on accounting and auditing to its members. We have maintained a register of 500 auditors, and those who fail to meet the professional qualification and in breach of regulations in accounting and auditing will be dismissed from the VACPA and hence, unable to practice (Interviewee 5).

What does it mean by the high annual membership fee of VND 1,000,000? According to the GSO (2006), the monthly average income per employee in the state sector at current price by economic activities in 2005 in Vietnam was VND 1,651,300. So payment of membership fee was regarded high according to the living standards at the time. It is also observed that the senior MoF official holds the dual role in his official capacity as a government official and as a member of the VACPA executive. It could, therefore, be argued that the formation of the VACPA is driven by an interest group operating both inside and outside the ministry. The interest group includes the MoF and the Vietnamese CPA members to enhance their status, as indicated by the Interviewee 5 mentioned above.

There are three types of VACPA members: official member, associated member, and honorary member. The membership requirements of VACPA can be found in **Appendix 12**.

Another important development in Vietnam is that in an attempt to enhance the status of the VACPA and following the trend of other CPA organizations in the region, the MoF decided to transfer part of its state management duties in respect of the accounting and auditing profession to the VAA and the VACPA, from 2005 onwards. This is reflected in the Decision No. 47/2005/QĐ-BTC dated 14 July 2005 by the Minister of Finance

regarding the transferring of some tasks on implementing the management of the accounting and auditing practising activities to the accounting bodies. Accordingly, the VAA and the VACPA are assigned to manage the accounting and auditing activities respectively of organizations and individuals providing accounting and auditing services (MoF, 2005c). It is argued that this is a very important and significant event in the development of the accounting profession in Vietnam. It is because the transfer of responsibilities to manage the accounting and auditing practising activities from the government, that is, the MoF, to accounting and auditing bodies, the VAA and the VACPA, is in line with international practice.

The following Table 6.6 provides a summary of the tasks transferred by the MoF to the VAA and the VACPA under the Decision 47:

Table 6.6 – Tasks transferred by the MoF to the VAA and the VACPA

VAA	VACPA
Organising the professional training courses on accounting to accountants and accounting practitioners	Organising the professional training courses on accounting and auditing to auditors and auditing practitioners
Uniformly managing the registers of accounting practitioners and accounting services firms operating in Vietnam	Uniformly managing the registers of auditing practitioners and auditing services firms operating in Vietnam
Checking the compliance with accounting regulations, quality of services of accounting firms and individual practitioners	Checking the compliance with accounting and auditing regulations, quality of services of auditing firms. Reporting to competent authority if a case of in breach of regulations is identified. Conducting annual review and report to MoF on the quality of services and activities of auditors.
Organising the training and issuing the Certificate of Chief Accountant in	Considering the requirements and publicly announcing the registers of

VAA	VACPA
enterprises and state accounting units	auditors and of auditing firms that meet all requirements for practicing in accordance with regulations
Assigning its members to participate to the NCA, Committees of drafting accounting and auditing standards or accounting regimes if required by MoF	N/A
Other tasks, such as assigning its representative(s) to be member(s) of the Committee for Examination for State Accounting Practitioners, participating to organizing the examinations of accounting practitioners (eg. distribute prescribed application forms for the exam), and conducting the review lessons prior to the exam	Other tasks, such as assigning its representative(s) to be member(s) of the Committee for Examination for State Auditing Practitioners, participating to organizing the examinations of auditing practitioners (eg. distribute prescribed application forms for the exam), and conducting the review lessons prior to the exam

Source: MoF, 2005c; VAA, 2001, 2005

The above is regarded as a premise for more development of accounting and auditing activities in Vietnam. It shows that the VAA is more focused towards accounting and the VACPA is more focused towards auditing. This is consistent with the senior MoF official's comments:

The MoF assigns the VAA to manage the accounting practice and the VACPA to be responsible for auditing, given the conditions and capacity of these bodies. It is because the MoF wants to be assured that these bodies are capable enough to handle those assigned tasks. The intention and direction of the MoF is that the better the association handles an assigned task, the more duties they will be assigned (Interviewee 5).

It is observed that the categorization of duties between the VAA and the VACPA is appropriate, because it would cause serious consequences if the VAA was assigned to manage auditing practice while its members did not have the knowledge and capacity to handle it. With reference to the Puxty *et al.* (1987) model, the state remains its overall control and influence of accounting and auditing practice, as well as the professionalization process. How to monitor the quality of accounting and auditing services and ensure that the accountants and auditors have acted in a good faith to maintain the service quality and their status is the next question. Garmilis and Stokes (2007) commented that the main factor in the development of codes of ethics was the quest for legitimating the accounting profession. The same is true in Vietnam.

As mentioned earlier in this Chapter, the LA in 2003 included provisions on professional ethics of accountants and auditors. Subsequently, the professional code of ethics for accounting and auditing profession in Vietnam was issued by the MoF in the Decision No. 87/2005/QĐ-BTC dated 1 December 2005 and applicable to all accountants and auditors. Accordingly, the VAA is tasked by the MoF to provide guidance and check adherence to the professional code of ethics by accountants and accounting practitioners; whereas the VACPA is authorized by the MoF to guide and check the adherence of independent auditors (MoF, 2005d).

Four basic requirements of the Vietnamese professional code of ethics are i) the enhancement of *public confidence* of accounting and auditing information systems; ii) the creation of recognition by enterprise owners, organizations, clients and relevant parties on the *professionalism* of accounting and auditing practitioners; iii) the assurance of highest *quality* of accounting and auditing services; and iv) the creation of *reliability* to users of accounting and auditing services on the adherence of the code of ethics (emphasise on italics by the researcher) (MoF, 2005d).

Larson (1977) noted that the professional association was an equivalent of profession, and that the establishment of national professional associations indicated the maturity of the professional project (p. 5). It is observed that the implementation of the Vietnamese

CPA exams and the professional code of ethics for accountants and auditors indicate the existence of the accounting profession in Vietnam. This is because the Vietnamese accounting profession has had some characteristics of a profession, as defined by Millerson (1964) and discussed in the literature review earlier. In essence, the following attributes of a profession are described in the Millerson (1964) study:

- The organization of all those with a particular occupation. In the case of Vietnam, these are the VAA and the VACPA.
- The development of the means to quantify members to act in a certain capacity through test of competence. In the case of Vietnam, this includes the Vietnamese CPA examinations and the ACCA examinations, and the provision of continuing professional education courses and seminars by the VAA and the VACPA. Other examples provided by Millerson (1964) included the maintenance of a register of qualified members and the promotion and preservation of a high standard of professional conduct through the possession of a code of ethics. In Vietnam, the introduction of the professional code of ethics and supervision of the adherence to the code satisfy this feature.

To be able to monitor the quality of services, the Regulations on quality control of accounting and auditing services was issued by the MoF in its Decision No. 32/2007/QĐ-BTC on 15 May 2007. Accordingly, the VAA and the VACPA are authorised by the MoF to conduct quality inspections of services provided by accounting and auditing companies. Auditing firms, accounting practitioners and accountancy services companies are also required to set up and implement a quality control system and ensure compliance with the system. The Regulations are applicable to all accountancy services companies, accounting and auditing firms, and accounting practitioners in the country (MoF, 2007a).

As observed earlier in this Chapter, the state has created a market for accounting services. To enable the market to operate efficiently, the state regulates the professional code of ethics and quality control. These are new developments facilitating the development of the accounting profession in Vietnam during the economic integration period. The adherence to the professional code of ethics and compliance with quality control

requirements will enhance the professional recognition by the market. The Puxty *et al.* (1987) principles on state, market and community interact and intertwine, with the state playing a leading role on accounting reforms. Walker (1991, p. 260) noted that “...successful professionalisation is not dependent on societal recognition of the functional significance of the provision of necessary services but upon recognition and acceptance of the claims of aspiring professionals by powerful others (eg. agents of the state) and, in particular, their capacity to responsibly and reliably regulate the quality of their valued service”.

In addition, Narayan and Godden (2000) have noted that there was a joint research project between the ADB and the WB, called the Regional Technical Assistance (RETA) 5877 on Strengthening financial management and governance in selected developing member countries. The contents of the study on Vietnam including issues and recommendations were discussed and debated with representatives from the Vietnamese government, the private sector and international organizations in the country and at an international conference held at the ADB headquarters in the Philippines in 2000. This is an interesting observation about the influential role of the government in respect of accounting reforms in Vietnam in response to the pressure of external actors such as the WB, the ADB, international donors and multinational companies. They conducted studies on accounting and auditing practice in the country and provided recommendations to the government which then made decision on if and how these recommendations could be used to help them improve the accounting and auditing legal framework and practice.

An interviewee who is a senior official of the VAA commented that:

The establishment of the VAA and the Vietnam Association of Certified Public Accountants (VACPA) demonstrates the existence of the accounting profession in Vietnam (Interviewee 16).

In recognizing its efforts on professionalism, the VACPA became a full member of the Confederation of Asian and Pacific Accountants (CAPA) on 11 June 2010 (VACPA, http://www.vacpa.org.vn/index.php?o=modules&n=news&f=news_detail&idnews=1891

[&idtype=111](#), accessed 16 July 2010). It is argued that the official membership of CAPA in June 2010 is another important and significant event in the professionalization of accounting in Vietnam. It has demonstrated the recognition of the existence of the accounting profession in Vietnam and the VACPA as a professional accounting body in the Asia-Pacific region. Importantly, it also demonstrates the commitment in providing high quality services to the public and to organizations in Vietnam, to meet the primary objectives of the CAPA. Moreover, this also indicates that the VAA is still regarded by the international accounting bodies as a social organization which is striving towards being a recognized professional body.

The provision of high quality accounting services will not be achieved without the cadre of skilled accountants and accounting practitioners. In order to achieve this, the cooperation and partnership with international accounting bodies is crucial to further develop the accounting profession in Vietnam. The following section discusses the objectives and contents of the cooperation partnerships of the MoF and the ACCA and CPA Australia.

6.4.8 Foreign professional accounting bodies

6.4.8.1 ACCA, representing the British interest in the accounting profession

Along with domestic accounting bodies, international professional accounting bodies have also established their presence in Vietnam, under the state management of the MoF. It is observed that the membership of the VAA to IFAC in 1998 has provided the government with the opportunity to have a closer connection to the British accountancy body, the ACCA. In addition, setting up relationships with international accounting and auditing bodies is also an important requirement set in the Charters of the VAA and the VACPA. The senior MoF official recalled that:

Vietnam would like to be recognized by professional bodies of other countries in the region and the world. Therefore, it is necessary to cooperate with international organizations to enable the country to learn experience, be guided

and assisted in upgrading professional skills of Vietnamese accountants and auditors who will be eligible for receiving a practicing certificate (Interviewee 5).

The reasons that the MoF supported the establishment of the ACCA in Vietnam were explained by the senior MoF official as follows:

The ACCA is chosen by the MoF to be a cooperative partner because of the following reasons: Firstly, the ACCA has knowledgeable about Vietnam and how to work in Vietnam through its presence in the country for about 10 years now. Secondly, it is the largest global professional accounting body. As such, the cooperation with the ACCA in training and issuance of the ACCA qualification will facilitate the recognition on professional practising of Vietnamese accountants and auditors from other international organizations. And finally, the ACCA itself is in need of support from the MoF in its activities expansion in Vietnam (Interviewee 5).

It is very important to note that the ACCA has been working cooperatively with Vietnamese accounting associations, the VAA and the VACPA, not competing with them. As such, the ACCA works in partnership with the MoF, and does not dominate the development of the Vietnamese accounting profession. It is, therefore, observed that the case of Vietnam differs from that of Trinidad and Tobago and Kenya (Annisette, 1999, 2000, 2010; Sian, 2010), where the ACCA influenced the formation of an accounting profession.

It is observed that the ACCA aims for global expansion using different approaches. It can be argued that the ACCA has a different agenda in Vietnam compared to that in other countries such as Trinidad and Tobago and Kenya, in that it works with the MoF to introduce the British qualification to Vietnamese accountants and auditors, and modifies its training content to localize its exam papers on Vietnamese law on enterprises and taxation. In addition, the ACCA seeks to promote the professionalism of Vietnamese accountants and auditors who meet both Vietnamese and international standards, rather than controls and dominates entry to ACCA membership as it arguably did in ex-British

colonies. This is reflected by the signing of the Memorandum of Cooperation with the MoF in 2003 and the observation made by Interviewee 5 which will be examined in the following section. The MoF of Vietnam retains its influence on the profession in the past, present and probably in the future.

With the support of the Vietnamese Government, represented by the MoF, the ACCA established its presence as the first representative office in Ho Chi Minh City (Vietnam) in January 2002 and in Hanoi in 2004 as the first international accounting body in Vietnam (Vietnam Investment Review, 2004; ACCA, 2005; MoF, 2005h). How does this differ from other countries? To name a few, while the ACCA works in partnership with the VAA and the VACPA to provide professional training program and examinations to Vietnamese accountants and auditors, in Trinidad and Tobago, the ACCA qualification was imported to the country to assist in accounting education and practice. Formed in 1950, the Trinidad and Tobago Branch of the Association of Certified and Corporate Accountants (TTACCA) represented the ACCA's interest in the country. As such, the state-employed cadre of accountants who had benefited from the government's ACCA scheme dominated the TTACCA. As the accounting profession was dominated by the British, the practising elite of British-born chartered accountants resorted to importing the ACCA program of professional training, as setting up local examination schemes was 'an anathema' to them (Annisette, 2000, p. 651).

The case of Vietnam is different, as the VCP and the state would continue their dominant influence on professional training for accountants and auditors in Vietnam. The ACCA program could be used as a reference when drafting the training contents, not adopt entirely the British model. This is because of their avoidance of capitalist thought and foreign influence which could potentially contradict their socialist ideology.

The case of Armenia and Bosnia gives another example for the import of the ACCA program to the reform of accounting curriculum in universities in these countries, in other words, the dominant role of the ACCA program in accounting education and practice in these countries. In their study, Preobragenskaya and McGee (2004) noted that under the

Project of the United States Agency for International Development (USAID), funding was provided for technical support to various Eastern European and former Soviet countries to reform their accounting systems after the dismantling of the Berlin Wall in 1989. The USAID Accounting Reform Program in Armenia started in July 1998 and in Bosnia in late 2000. The ACCA books were chosen by the USAID project because of the comprehensiveness of the ACCA curriculum and syllabi, with topics suggested by the IFAC and the UNCTAD, and the UN group was in charge of providing guidelines for accounting education. Apart from that, as the ACCA exams have been conducted in more than 160 countries, the establishment of a parallel system in these countries would give their accountants and auditors instant international credibility.

It is argued that the cooperation between the MoF and the ACCA is one of the significant milestones in the development of the accounting profession in Vietnam. The contents of the Memorandum of Co-operation signed in December 2003 between the MoF and the ACCA were described by the senior MoF official that:

The Memorandum of Co-operation in December 2003 signed between the MoF and the ACCA included the agreement to operate the joint examination scheme, the cooperation on training of members of the ACCA and the VAA and the VACPA, and the information exchange or support Vietnam in its international cooperation with other international organisations. In my views, the cooperation with the ACCA is originated from the demands from both sides, the MoF and the ACCA, and is an advantage (Interviewee 5).

The joint examination scheme is presented under Section 6.5.2.1 of this Chapter. Accordingly, Vietnamese accountants who hold the ACCA qualification shall have the right to take part in professional operation network of the international accounting association worldwide (MoF, 2004d).

It is important to note that the ACCA has provided for the Vietnamese accounting associations a good model for the management and operation of a professional body. The senior MoF official added that:

The third aspect of the cooperation with the ACCA relates to the mutual information exchange or assisting Vietnam in international cooperation with other international organizations. Over the years, the ACCA has invited delegations which consist of MoF officials and VAA and VACPA members to visit its headquarters in England. The visit was to introduce the experience relating to the operations of a professional body to the Vietnamese delegations. Thanks to that, the VACPA has followed the ACCA model on the operations of an international professional body (Interviewee 5).

It is interesting to note that the VACPA was formed in 2005 and its operations follow the British-based ACCA model. What it means is that the VACPA does not operate as a social organization. Rather, Vietnamese accountants and auditors must satisfy the compulsory requirements on professional knowledge and qualifications to be eligible for membership. In addition, the VACPA activities pay more attention to the professionalism of its members and quality of its services. It is also observed that being an ex-French colony, Vietnam did not follow French accounting model. The operations of a professional organization, the VACPA, follow the British model, the ACCA. However, the professional qualification and certification of practising accountants and auditors remains with the MoF.

The first and second aspect of the cooperation with the ACCA relates to accounting training programs leading to the ACCA examinations. It is observed that the ACCA is one of the important actors in the professionalization of accounting in Vietnam. The ACCA exams will be discussed further in the next section of this Chapter. In addition, the Big Four may have had some influence on the professionalization of accounting in Vietnam by providing professional accounting and auditing training to their staff internally and externally, such as with ACCA, CPA Australia, RMIT International University Vietnam, etc. This will be discussed further in Section 6.5.2.

The senior MoF official stated that:

The 2003 Memorandum of Cooperation with the ACCA is due to be reviewed at the end of 2008 to see if any changes and/or scope expansion or renewal required (Interviewee 5).

The 2003 Memorandum of Cooperation with the ACCA was renewed by the signing of the renewal Memorandum of Cooperation between the MoF and the ACCA in January 2009 for another five-year period from January 2009 to December 2013. The major changes in the 2009 renewed agreement are outlined as follows:

The renewed agreement includes the clarification on the requirement in the first MoU signed in 2003, in that it allows ACCA members who have sat and passed the ACCA examinations on the two modules of Vietnamese Laws and Taxation, when taking the examinations organized by the MoF to obtain the Vietnamese auditors certificate for holders of foreign and local accountant or auditor professional certificates, to be exempted from two examination components: (1) Economics laws, Investment Law and Enterprises Law; and (2) Regulations on taxation and tax management in Vietnam. In addition, the renewed agreement also includes an additional provision on the exemption from the first four ACCA modules of the ACCA examinations to holders of Vietnamese certified public accountant certificate (CPA) (MoF, 2009b).

The contents of the examinations on Vietnamese auditor's certificate (CPA) held by the MoF are shown in Table 6.4 above. In Vietnam, although the MoF allows the ACCA and CPA Australia to establish and operate, the MoF is the monopoly jurisdiction of auditing practice, through the issuance of the Vietnamese CPA certificate as one of the conditions for practising in the country, as noted by the Interviewee 16 above.

The following section will discuss the other international professional organization established its presence to operate in Vietnam by MoF – CPA Australia.

6.4.8.2 CPA Australia

The senior MoF official commented about the cooperation with CPA Australia that:

Similar to the cooperation with the ACCA, the cooperation with CPA Australia has had more advantages, because Australia is in the Asia Pacific region, which is closer to Vietnam geographically. As CPA Australia also wishes to establish the cooperation with Vietnam, the MoF has decided to expand its cooperation with CPA Australia (Interviewee 5).

In formalising their relationship, a Memorandum of Cooperation was signed between the VACPA and CPA Australia in May 2006 for cooperation with finance, accounting and business professionals across the Asia – Pacific region. Under the Memorandum, CPA Australia will further cooperate with the local professional body (the VACPA) in the areas of training, international affiliation and work towards mutual recognition of qualifications (CPA Australia, 2006).

So, the cooperation of the MoF with CPA Australia results in the mutual recognition of membership of the VACPA and CPA Australia. A CPA Australia executive stated that:

We recognize that accountants in Vietnam in the future will need to have VACPA membership (Interviewee 8).

It is argued that the mutual recognition of qualifications with CPA Australia has confirmed that there is an arrangement in place to recognize the equivalence of the Vietnamese CPA certificate and the CPA Australia certificate. As such, those who hold the Vietnamese CPA status could be deemed to have the same skills and professional knowledge as that of their counterparts in Australia. Perhaps this will also enable CPA Australia to expand its position to the Asia – Pacific region. In this sense, both ACCA and CPA Australia have the same objective, that is, introducing their training program and certification to Vietnam aiming for global expansion, rather than representing their members in a particular jurisdiction.

In an interview with an executive of CPA Australia, the researcher has learnt the motives for the official establishment of CPA Australia's presence in Vietnam that:

We have seen a huge amount of current economic growth, the development of the capital market, the influx of IPOs (initial public offerings in the equitisation process) and the increasing foreign direct investment to Vietnam, and believed that there is a need on professional accountants in the country. Therefore, subsequent to the many visits to Vietnam by the former President of CPA Australia, Mr Paul Meiklejohn, we have decided to establish our representative offices in Hanoi and Ho Chi Minh City in 2008 (Interviewee 8).

The activities of CPA Australia in its representative offices in Vietnam were described by the CPA Australia executive that:

CPA Australia representative offices in Hanoi and Ho Chi Minh City focus on four major areas: a) engaging with large employers of accountants, particularly the Big Four, Vietnamese accounting and auditing firms, multinational companies and Australian companies setting up operations in Vietnam; b) establishing relationships with universities, not only RMIT Vietnam and Swinburne University, but Vietnamese universities and students to establish our brand image for our membership in the future; c) working with existing members to provide them with membership benefits such as discussion groups, networking events, continuing professional development events etc.; and d) promoting CPA Australia image in Vietnam (Interviewee 8).

It is also noted that:

Since setting up its representative offices in Vietnam in 1998, CPA Australia has had many activities with universities such as conducting seminars to introduce CPA Australia program, awarding scholarships and prizes to outstanding students, sponsoring to students' accounting and auditing clubs, contributing to scientific research funds of accounting and auditing faculties of universities, and working with university staff on assessing teaching curriculum aiming to enhancing the education quality (Tuoi Tre Daily, 2009).

The MoF plays an influential role in the cooperation and permission for international accounting organizations to establish and operate in Vietnam. The linkage of the MoF with CPA Australia helps explain the ‘community’ principle in the Puxty *et al.* (1987) model, in that members of CPA Australia and the VACPA are able to satisfy their mutual needs for a shared affective and a collective identity, and enjoy the benefit from a sense of belonging for spontaneous solidarity.

Emphasising its mission in Vietnam, the CPA Australia executive made an important point:

CPA Australia can also provide an international qualification which provides greater employment ability in Vietnam and the region for accountants. CPA Australia is not looking to compete with the VACPA, but with the ACCA by attracting more membership (Interviewee 8).

The senior MoF official elaborated:

The bilateral agreements on the cooperation of the MoF and international organizations in general, the ACCA and CPA Australia in particular, will enable the activities of international professional bodies which will help provide many specialists with different professional skills for the market in accordance with the diversification requirements of the economy and society (Interviewee 5).

It is argued that CPA Australia is another actor contributing to the professionalization of accounting in Vietnam. The membership of the ACCA and CPA Australia in Vietnam until 2010 is summarized as follows:

	Official members	On probation members	In training students
ACCA (from 1999)	369	67	5,000
CPA Australia (from 2008)	180	-	5,000

Source: VACPA,

<http://www.vacpa.org.vn/index.php?o=modules&n=main&f=home&Language=vn>,

accessed 5 January 2011

In respect of the VAA and the VACPA, the MoF plays a role of directing the operations of these local professional organizations. With regard to international organizations, such as the ACCA and CPA Australia, the Ministry facilitates the establishment of their official presence in Vietnam to expand their activities. It is noted that the cooperative partnership of the MoF with international bodies such as the ACCA and CPA Australia provides more opportunities for Vietnamese accountants and auditors to access and obtain an internationally recognised qualification to practise in the profession. The competition for membership between the ACCA and CPA Australia, by promoting the profession, is helping to create a momentum for strong development of the Vietnamese accounting profession.

So, is the competition for membership between ACCA and CPA Australia “professional” behaviour? In the researcher’s opinion, both ACCA and CPA Australia are attempting to expand their influence and position in the Vietnam market, rather than acting as a professional body that represents its members in Vietnam that a professional body should aim for. In broader points of view, they both aim to build their name for prestige and commercial benefits, through introducing their training program and qualification, which in turn helps sustain their operation and status in the Vietnam market in particular, and in the Asia – Pacific region in general. Vietnamese accountants and auditors are able to be beneficial from such behaviour.

With reference to Puxty *et al.* (1987), the principal motives of the ‘state’ are career advancement and bureaucratic stability. By providing opportunities to Vietnamese accountants and auditors, their career is enhanced to become competent and to provide better quality services to domestic organisations, FIEs and multinational enterprises. In addition, developing a strong accounting profession will contribute to the country’s social and economic development for stability and sustainability.

It is worth noting that foreign professional bodies such as the ACCA and CPA Australia do not compete with local accounting organizations in Vietnam, the VAA and VACPA, for membership. Rather, they work closely with the Vietnamese accounting associations to help them enhance their professionalism. In other words, the VAA and VACPA are beneficiaries in the partnerships of the MoF with the ACCA and CPA Australia, despite these foreign bodies competing with each other to expand their membership in Vietnam. This is, perhaps, an interesting case for Vietnam. In their attempts to expand membership in Vietnam, the international accounting organizations have brought about more opportunities for Vietnamese accountants and auditors to have access to improving their professional knowledge at international standards.

The following section discusses another principle in the Puxty *et al.* (1987) model, the market, through the role of the state in accounting training for practitioners in Vietnam.

6.5 Professional accounting training

Being a member of IFAC and the AFA in 1998, the Vietnamese accounting profession faces challenges in improving the knowledge and professional practice of Vietnamese accountants and auditors to meet international levels.

6.5.1 Domestic training for accountants

Before discussing professional training for accountants, it is useful to have an overview of the universities which provide academic accounting education in prior studies. In Vietnam, academic training in accounting and auditing is provided by universities and research institutes for bachelor, master (research or coursework) degrees and PhDs. Professional training in accounting and auditing is normally conducted by accounting and auditing companies or professional associations with different training levels. This type of training is normally conducted by professional associations or authorized organizations, such as that offered by the ACCA and CPA Australia (Ngo, 2005). Therefore, those who have graduated from accounting at a university and have the necessary work experience will need to attend additional training courses required by the

MoF to be qualified for the status of ‘professional accountant’ (Narayan and Godden, 2000).

An interviewee who is retired from one of the Big Four firms in Vietnam made an interesting observation:

At present, in education and training, especially in accounting, the training providers and employers have not met. This means that those who graduated from universities, colleges or professional schools are not able to practice in accounting yet. Once being recruited by domestic and foreign auditing firms, they will be retrained on professional knowledge to be able to work in the accounting and auditing field (Interviewee 16).

Therefore, the focus of discussion in this section is only on the role of the MoF in the professional training of accountants in Vietnam. Universities in Vietnam are governed by the Ministry of Education and Training and provide academic accounting education.

According to the MoF, by the end of 2004 there were about 5,000 people working in the accounting profession, of which only 850 held the Vietnamese CPA qualification and only about a hundred held an internationally recognised accountancy qualification (MoF, 2004c). The growth of the business sectors and the continued increase of FDIs in Vietnam require a strong supply of accountants and auditors. For a country with a population of over 80 million people, this number of accounting cadre in Vietnam is undoubtedly not sufficient.

6.5.1.1 Chief accountants training

The first group is chief accountants (CAs). The LA in 2003 requires that:

The CA of a State body, a professional entity or organization using State Budget funding, a professional entity or organization not using State Budget funding, or a SOE shall, in addition to their duties [organizing implementation of accounting work within the accounting entity], have the duty of assisting the legal

representative of the accounting entity to supervise finance within the accounting entity (The National Assembly, 2003, Article 52).

Usa (2009) has noted the role of the chief accountant in Vietnam:

Under the Vietnamese law, the CA of an enterprise, not the board of directors, is responsible for the accuracy of the company's financial statements. The CA monitors the accuracy of the statements along with foreign or domestic independent auditors, who are licensed by the MoF (p. 83).

Under the LA, the MoF is responsible for issuing regulations on the training programs, the examination council, and on procedures and authority for issuance and revocation of the CA training course (The National Assembly, 2003). Implementing the provisions of the LA in 2003, the MoF issued Decision No. 43/2004/QD-BTC dated 26 April 2004 regarding the Regulations on training and issuing the CA Certificate, which replaces the Decision No. 769/TC/QD/TCCB dated 23 October 1997 discussed in the preceding Chapter. The CA Certificate is valid for five years from the date of issuance. This remains unchanged under both Decisions (MoF, 2004b).

Three major differences between these two Decisions are observed. The first major difference between the Decision No. 43/2004 and the Decision No. 769 in 1997 is the scope of application. The latter is applicable to only CAs in SOEs, whereas the former expands to include CAs in enterprises in the economic sectors, accounting practitioners and those who are interested in attending the training course for CAs (MoF, 2004b).

The following Table 6.7 provides a summary the changes on those institutions authorized to organize the CA training course under both Decisions.

Table 6.7 – Institutions authorized to organize CA training courses

Decision 769 in 1997	Decision 43 in 2004
MoF and its agencies	Academy of Finance, Colleges of Economics, Finance and Accounting under the MoF
Economic universities providing accounting major	Institutions, universities and colleges providing majors in finance, accounting and auditing
The VAA	The VAA
	Ministries, provincial Corporations and Finance Departments are authorized to join the above institutions to organize the training course for ministries and provinces

Source: MoF, 2004b

The second major difference between the two Decisions is that the MoF has no longer played the key role in conducting training courses since 2004. As such, the CA certificate is issued by the head of the training institution, instead of the MoF. However, the list of those who have completed and passed training courses is required to be sent to the MoF (DAP) for consideration and registration prior to the issuance of the certificate. This suggests that although the MoF is not directly involved in the training process of CAs, it retains its role in overseeing the registration list of CAs and setting the contents and materials for the CA training, through the DAP.

The final major difference in Decision No. 43/2004 is the training content. As the scope of application of this Decision is expanded to include those CAs in other economic sectors, the training content is designed to meet the standards for the SOEs and other sectors, as summarized in the following Table 6.8:

Table 6.8 – CA training course content

	SOEs, administrative units and organizations (State accounting units)	Enterprises in other economic sectors
Duration	4 weeks	6 weeks
Part 1: General knowledge		
	Economic regulations applicable to the state accounting units	Macro-economics
	Management of forecasts and distribution, budget receipt and spending	Regulations on enterprises
	Open and manage accounts, control state budget spending through State Treasury	Corporate financial management
	Finance for those units using the state budget and those not using state budget	Taxation regulations
		Investment project appraisal
		Relations of credit, payment and guarantee between enterprises with banks and financial institutions
		Business administration
	Review and test for part 1	Review and test for part 1
Part 2: Professional knowledge		
	Accounting regulations	Accounting regulations
	State budget accounting and Treasury activities	Accounting apparatus and the role and duties of chief

	SOEs, administrative units and organizations (State accounting units)	Enterprises in other economic sectors
		accountant of an enterprise
	Accounting for those units using the state budget and those not using state budget	Corporate financial accounting (including industry accounting)
	Financial statements, and finalization reports of state budget receipts and spending and of administrative units	Organising managerial accounting in enterprises
	Analysis of financial statements of those units using the state budget and those not using state budget	Financial statements and analysis of financial statements
	Audit financial statements, and finalization reports of state budget receipts and spending and of administrative units	Auditing and audit the financial statement of an enterprise
	Review and test for part 2	Review and test for part 2
	Total: 10 topics	Total: 13 topics

Source: MoF, 2004b

It is observed that with reference to Puxty *et al.* (1987), the state, through the MoF, has created a market and a community for accountants, but also regulated the training program for CAs, to ensure the standardization of professional knowledge on finance, accounting and auditing of CAs in the national economy.

6.5.1.2 Vietnamese CPA training

In addition to the CA training, the training for Vietnamese CPAs, the second group, has also been enhanced. As regulated in the Decision No. 94/2007 mentioned in the

preceding section, those who wish to sit the Vietnamese CPA examinations are required to attend training classes held by the VAA and the VACPA. These accounting organizations have relationships with universities and government agencies to be able to seek lecturers and specialists to teach in the training courses held by them, and follow the training content set by the MoF (MoF, 2007b).

A senior official of the DAP observed that the content of training and tests regulated by the MoF still focus much on theory and lack actual practice (Ha, 2007). Therefore, it is crucial to work with international organizations in providing better professional training opportunities to Vietnamese accountants and auditors. The following section discusses the role of international accounting organisations in human resources development, aiming to enhance professional skills of Vietnamese accountants and auditors.

6.5.2 Joint accounting programs with foreign partners

6.5.2.1 ACCA program in Vietnam

The presence of the ACCA and its training program in Vietnam originates from the shortage of skilled accountants and auditors whose professional knowledge on accounting and auditing meet international standards to work in foreign accounting and auditing firms (the Big Four). This is the nature of academic programs on accounting and auditing conducted by Vietnamese universities mentioned above.

A senior executive of the first fully foreign-owned university in Vietnam expressed his views regarding the capacity of Vietnamese accountants and auditors that:

The capacity of Vietnamese accountants and auditors are excellent when it comes to checking the compliance with Vietnamese accounting rules and procedures. However, there is a mindset problem in moving from a command economy to a market economy. This is probably a generational issue with people of the age of 30s and 40s and with education leading the charge for an openness of mind which allows good outcomes. I am not talking of no rules, just better and sensible rules.

There may be even more rules and sample checking rather than checking everything (Interviewee 7).

This is consistent with the comment made earlier by Interviewee 16 regarding the lack of connection between training providers (universities) and employers. Graduates from universities are equipped fully with theory, so need to be retrained by accounting and auditing firms on professional knowledge to be able to work in the accounting and auditing field.

The training provided by the ACCA under the Memorandum of Cooperation signed in December 2003 was noted by a senior MoF official that:

The existence ACCA qualification examination consists of 14 papers, conducted in accordance with international conventions. To enable ACCA members to practise in Vietnam, the MoF has discussed and agreed with the ACCA to include two additional papers on Vietnamese Law of Enterprises and Law of Taxation to the Joint Examination Scheme. These two subjects will be taught in Vietnam and examination for these papers will be conducted in Vietnam. The inclusion of these two subjects will be effective in the ACCA examination from 2006 (Interviewee 5).

This is a very important event in the development of the accounting profession in Vietnam, as the agreement on inclusion of two additional papers to the ACCA examination in Vietnam reflects the ‘localisation’ of the ACCA training program in Vietnam and the ‘internationalisation’ of the examination of Vietnamese auditors. As such, ACCA members may choose to sit for the examination of these two papers and foreign auditors must take the examination of these two papers should they wish to practice in Vietnam. Therefore, those who hold the ACCA qualification will be qualified to practise internationally and in Vietnam (MoF, 2006b).

In Sri Lanka, Yapa (2000) noted that the examinations of the British professional bodies are based on subjects applicable to the British economy, and hence, they differ greatly from that of Sri Lanka, making it less useful for the Sri Lankan accountant. Therefore, it

is observed that by adding the Vietnamese enterprises law and taxation to the ACCA exams, the ACCA has made the qualification and knowledge obtained for the exams relevant to Vietnam's conditions.

Apart from the ACCA examination, the Memorandum of Cooperation between the MoF and the ACCA in December 2003 also included provisions relating to benefits for members of the ACCA and Vietnamese CPAs, as observed by a senior MoF official:

The second aspect in the Memorandum of Cooperation with ACCA is the mutual cooperation on training for members of the ACCA and the VACPA. Accordingly, ACCA members can attend classes or training courses on continuing professional education held by the MoF or Vietnamese professional organizations; and from their part, the ACCA will invite international specialists and foreign auditors to provide lectures to Vietnamese auditors on topics relating to professional and international practice. Thanks to that, international specialists and foreign auditors will also gain an understanding about the Vietnamese practice (Interviewee 5).

This is an important aspect in attempting to enhance the professional skills and knowledge of Vietnamese auditors to the level of their regional and international counterparts, and to achieve their recognition on the professionalization of accounting in Vietnam.

Another international accounting body which has been participating in professional training of accountants and auditors in Vietnam is CPA Australia. A manager of a fully foreign-owned university made an interesting comment:

Some comments made by KPMG and Ernst & Young are that initially they worked with the ACCA in training their staff as the ACCA was very progressive in their marketing promotion. However, as the training was conducted, these companies were concerned about the very expensive costs and the quality of the training

program delivered by the ACCA. That is one of the reasons these companies start to look for other alternatives (Interviewee 12).

This suggests that the Big Four has had some influence on the professionalization of accounting in Vietnam, by supporting professional accounting training for their staff who are accountants and auditors, to obtain not only Vietnamese CPA membership but also the ACCA and CPA Australia membership, to provide better services to their clients that include both domestic and foreign companies. This supports the argument made earlier that the state has recognized and facilitated the diversification of the education background of Vietnamese CPA holders, rather than imposing closure to membership.

It is also noted that although Vietnam is an ex-French colony, it does not have any training cooperation with the French accountancy profession, but only with the UK-based ACCA and CPA Australia. This also indicates that the French accountancy profession did not have a tradition of becoming involved in colonial outposts as did the UK-based ACCA. In other words, the French did not leave any institutional framework of French accounting in Vietnam for the Vietnamese in the post-colonial periods, whereas, the British left an institutional framework for their colonies to follow the British accounting model. This is a remarkable distinction between French and British ex-colonies.

6.5.2.2 CPA Australia program in Vietnam

The major difference between ACCA's and CPA Australia's operation in Vietnam is that the ACCA plays an examiner role and has entered into partnership with other training providers in Vietnam to enable Vietnamese participants to pass the exams; whereas CPA Australia works with its partner universities and government agencies on the equivalence of their curriculum and CPA Australia program for professional accreditation to graduates.

The senior MoF official stated that:

In addition to the agreement signed between the VACPA and CPA Australia in May 2006 on mutual recognition of qualification, CPA Australia entered into a

four-party Memorandum of Cooperation with the VACPA, Swinburne University (Australia) and the National Economics University (NEU) in June 2007 regarding the support to students of these universities to become members and future auditors of the VACPA or CPA Australia (Interviewee 5).

The second major partnership with CPA Australia is with the Australian Government (AusAID). The executive of CPA Australia stated that:

We have a program in conjunction with the Australian Government (AusAID), starting from the fundamental belief that we should provide training to enhance the capacity of the accounting profession throughout the Asia – Pacific region. The joint program has commenced since 2007. In the joint program in 2008, we bring 28 members of professional bodies throughout the region from Vietnam, China, Cambodia, Laos, Indonesia, Papua New Guinea, Solomon Island, Samoa, and Fiji. Next year [2009], we plan to bring participants from Sri Lanka and Mongolia to participate this program as well (Interviewee 8).

An executive of the International Partnerships Program (IPP) program of CPA Australia elaborated:

The IPP of CPA Australia is sponsored by AusAID under the Australian Leadership Awards Fellowships Program. It is a regional initiative aiming to provide technical assistance to build sustainable capacity in the accountancy profession in the Asia – Pacific region. The duration of the IPP is 15 weeks (Interviewee 9).

This is consistent with a comment made by an interviewee who works in CPA Australia's representative office in Vietnam (Interviewee 10). Regarding the number of participants in the IPP, the CPA Australia's IPP executive said:

We have run two rounds of the IPP program with a roll of 27 and 28 respectively for 2007 and 2008, starting from July each year. We have had two participants from Vietnam for 2007 and another two for 2008 (Interviewee 9).

Another interviewee also added:

CPA Australia has run this program for the past three years from July 2007. The next round is scheduled to begin in July 2010 with two participants from Vietnam (Interviewee 10).

The executive of CPA Australia made a very interesting and important point that:

Apart from the required lectures in the IPP, we also hold seminars to the participants to share experience various aspects such as quality assurance processes, professional conduct processes of investigation and disciplines, education, continuing professional development and training. We discuss how a professional accounting body can operate, not as an arm of the government (because most of the participants are from the countries where the professional body is an arm of the MoF), but as a self-regulatory body, as the Australian accounting body is a self-regulator. We attempt to build that level of independence and sustainability into the profession as well (Interviewee 8).

The third major partner of CPA Australia is RMIT International University Vietnam (RMIT Vietnam), an offshore campus of RMIT University based in Australia. It should be noted that foreign universities must obtain an investment licence to establish and operate in Vietnam and are governed under the Law on Foreign Investment in Vietnam. RMIT Vietnam is a good example of this. An interviewee elaborated on the training cooperation with CPA Australia:

The main purpose of the training agreement signed between RMIT Vietnam and KPMG in October 2008 is to upgrade their skills to the level of KPMG's internal needs. The first training program for KPMG staff commences in October 2008 in Ho Chi Minh City and in February 2009 Hanoi. Students will need to undertake the eight courses in the bachelor degree to complete the Bachelor of Commerce degree at RMIT Vietnam, then undertake the additional eight courses to get the double degree on Bachelor of Business (Accountancy) at RMIT Vietnam. The

training will give them a foundation for CPA Australia membership (Interviewee 12).

A senior executive of RMIT Vietnam also commented that:

KPMG employees would learn the same accounting courses as that being taught to all other students in RMIT's accountancy degree program, and that upon satisfying academic requirements, they would attain Associate Membership of CPA Australia (Interviewee 7).

An interviewee added:

By funding their staff to attend the degree, they will remain at the company longer and the learning process is on going... Within the profession, the whole idea is being able to work for Big Four and the basic foundation of CPA Australia is to continue practising accountancy and updating knowledge (Interviewee 12).

It is argued that as well as obtaining support from the ACCA, agreements signed by CPA Australia and the establishment of accounting courses at the RMIT University campus in Vietnam, are all contributing to the development of Vietnamese accountants and auditors.

It is also observed that the Memorandum of Cooperation will enable Vietnamese students and CPA Australia members to gain professional accreditation. This will help bring the existing practice into line with international practice in which graduates from universities will achieve professional recognition from an international professional organization. This is regarded as an important factor in the professionalization of accounting in Vietnam. It maximizes the advantage of membership of the 'market' principle in the Puxty *et al.* (1987) model. In addition, it also sets up a close relationship between an educational provider and the professional community, to ensure the provision of knowledge and education that the community needs to meet the strong demand of quality human resources in accounting and auditing.

As observed by Bui (2005), the Vietnamese accounting and auditing sector has made significant changes, supporting efficiently and effectively the process of national economic innovation. The Vietnamese accounting and auditing practice have been appropriate to the market economy, moving to international practices and standards. The accounting and auditing legal document system has been updated and a large pool of professional accountants and auditors has been trained, 100 of whom have achieved the regional and international standards. Accounting and auditing professional associations have been established. Social awareness of accounting and auditing has been developed with new views and thinking; accounting is not simply and purely a passive recording of economic activities but it is used for organizing the economic and financial information system leading to transparency and forming a reliable basis for corporate as well as state management.

6.6 Summary

The period from 1998 to the present sees the significant development of accounting in Vietnam. The Vietnamese accounting system is influenced by international accounting and auditing standards, and Vietnam's accounting evolution gains momentum resulting from the membership of international organizations such as ASEAN and the WTO. There have been 26 Vietnamese accounting standards and 37 Vietnamese auditing standards issued by the MoF, based on IFRSs, with modification to suit Vietnam's conditions.

Most importantly, the LA was passed by the National Assembly in 2003, as the highest legal document governing accounting and auditing activities in Vietnam, which include professional ethics and quality control requirements. The Law has created a market for accounting and auditing services to all economic sectors and the community for accountants and auditors to join.

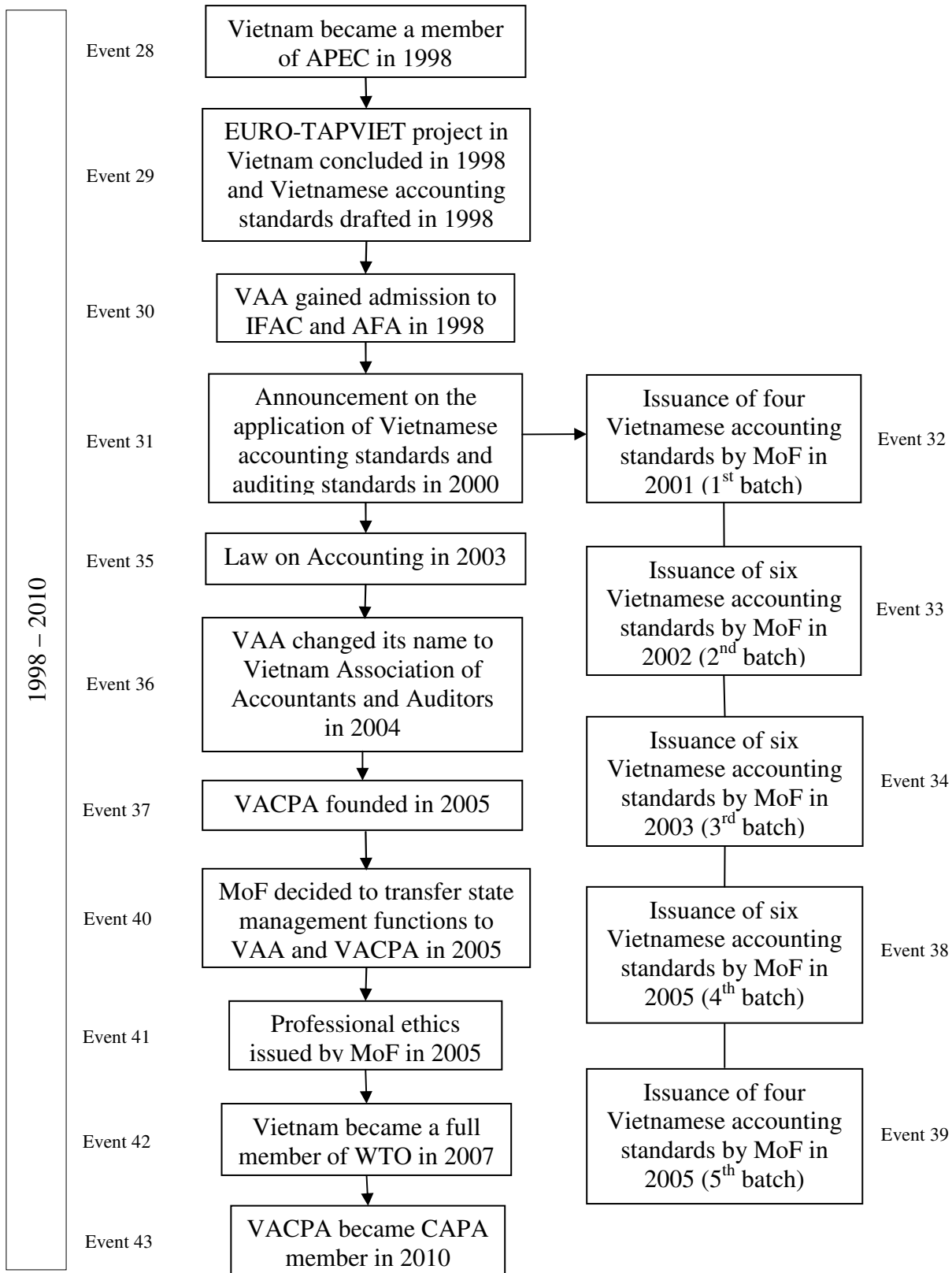
Therefore, it is argued that with the implementation of the Vietnamese CPA exams and the professional code of ethics, there is in existence an accounting profession in Vietnam. It has attributes described by Millerson (1964). It is also recognized by the state in legislation and by the public. To be able to obtain Vietnamese CPA status, one must

satisfy the education level and professional knowledge regulated by the MoF. With reference to Siegrist (1990), it is a state-defined profession, as the state leads the top-to-bottom professionalization process, and is subject to state regulations. The MoF has the monopoly in the issuance of the Vietnamese CPA certificate. This is the nature of the accounting profession in Vietnam.

In addition, the MoF has entered into cooperative agreements with international organizations such as the ACCA and CPA Australia, to provide Vietnamese accountants and auditors with more opportunities to have access to internationally recognized qualification. The ACCA and CPA Australia compete for their membership expansion, but do not compete with the VAA and VACPA, as these organizations are set up and operate with MoF support. The ACCA and CPA Australia have introduced their training programs for their exams for membership to Vietnamese participants. Due to the cooperative relationships of the MoF with these organizations, accounting associations in Vietnam (the VAA and the VACPA) have also been able to learn about the operations and activities of a professional organization, and to share experiences on the profession. This will enable Vietnamese CPAs to become qualified to provide accounting and auditing services to the country and overseas markets. Most importantly, this contributes to the professionalization of accounting in Vietnam. The membership of the VAA in IFAC and the AFA in 1998, and of the VACPA in CAPA in 2010 suggests the recognition of its international and regional counterparts on the existence of the accounting profession in Vietnam and the professionalization process of accounting in Vietnam.

The following Chart 6-I is developed to provide an overview of major events during 1998 – 2010 of Vietnamese accounting.

Chart 6-I – Major events in the development of Vietnamese accounting from 1998 – 2010



Chapter 7 Summary and conclusion

7.1 Introduction

This historical study seeks to contribute to the existing literature on the sociology of professions by examining the role of the state in the development of accounting in the colonial and post-colonial periods in Vietnam. This Chapter is organized as follows. The next section provides a summary of the research. Section 7.3 presents key findings and section 7.4 set outs the significance of the study. Section 7.5 offers suggestions for future research while section 7.6 provides a conclusion.

7.2 Summary of the research

The review of existing literature indicates that not much has been found on whether there is in existence of the accounting profession in Vietnam. Therefore, this study aims to address the gap in the literature on the development of accounting in a non-English speaking country, namely, Vietnam. An understanding of the existence and nature of the accounting profession will be beneficial to researchers, investors and those who are interested in the development of accounting in developing countries; and as such, makes a contribution to the literature. The research covers the period from the French domination in 1858 until 2010, when the country was integrated with the world economy, as part of its implementation of the open-door policy and economic renovation program since 1986. Based on data collected from the primary resources and archival records, the study has the following major findings.

7.3 Key findings

The Vietnamese accounting profession is state-controlled, given that the top-to-bottom development process is led by the state and subject to state regulations.

The **first research question** to be answered was ‘How have external factors, such as the influence of the French, the United States, China and the Soviet Union, contributed to the

development of the accounting profession in Vietnam?’ This first question is addressed in Chapters 4 and 5.

Chapter 4 covers the development of accounting in Vietnam from the French domination in 1858 until prior to 1986, in which three periods were examined. The first period was from 1858 – 1945, when the French ruled Vietnam, using its manpower to exploit the country’s resources. Although the first Western accounting system was brought into Vietnam in the mid 19th century by the French to support their colonial administration, there was little demand for accountants. This occurred because accounting work was undertaken by French accountants, rather than locals, to report back to their home jurisdiction. The French used accounting records to centrally control revenues and expenditures of the colony, particularly in relation to export activities and tax collection, from a distance, with strict control exercised by the central authorities in France. Budget accounting was also used to enable French companies operating in Vietnam to pay taxes. As such, the French language was used to prepare budget reports. Consequently, the role of the Vietnamese was confined, at best, to a bookkeeping role under instruction by the French. As noted in Chapter 4, the French imperial strategies influenced a practice which closely resembled a science of ruling inferiors whose resources, lands, and destinies in charge of by the French. At best, France's relationship with Algeria, Senegal, Mauritania, Indochina was association through 'hierarchic partnership' (Said, 1993, pp. 204-206). In addition, as a result of the colonial exploitation policy, the plantation economy they sought to promote in Vietnam did not give rise to accounting issues, nor engage the local community with complicated investment choices. Thus there was little need for the French administration to set up and develop indigenous accounting practice in Vietnam. Despite that profits, plantations and slaves were French imperialists' interest, the France's imperial approach in their colonies were different from that of Britain. Instead of importing the administration including accounting practice to their colonies, the case of Vietnam, being one of the French ex-colonies, indicates that the hierarchic partnership was centrally managed in France (Said, 1993).

With reference to the Puxty *et al.* (1987) model, the state, market and community were not of any significance for the colony during the French domination in Vietnam. The Vietnamese State surrendered all of their authority to the French, who controlled all major aspects of the country. The market and community for accounting in Vietnam were absent. The French accountancy profession did not have a tradition of becoming involved in colonial outposts as did the UK-based ACCA in countries such as Trinidad and Tobago, Malaysia and Hong Kong. As such, the French influence on accounting practice in Vietnam during their domination was very limited.

The post-colonial influences on accounting began in the second period, from 1945 – 1975, subsequent to the withdrawal of the French as a result of the successful August Revolution in 1945. North Vietnam was declared the DRV and the government started to build socialism. During 1945 – 1954, the country's resources were entirely engaged in the war of resistance against the French. The main accounting regulation was the Regulation on Revenue and Spending and the General Accounting of the DRV, issued by the MoF, replacing previous accounting regulations issued during the colonial rule. As there was no significant development in the DRV economy during the war years from 1945 – 1954, there was no significant development of accounting practice.

Subsequent to the defeat of the French at Dien Bien Phu in 1954 and the signing of the General Peace Accord at the Geneva Conference of 1954, supported by the US, the Soviet Union, Great Britain and China, France's colonized presence in Vietnam ended. The country was divided into two sovereign states at the Demilitarised Zone on the 17th parallel, with two very different political and economic systems, with North Vietnam declared as the Democratic Republic of Vietnam (DRV) and South Vietnam proclaimed as the Republic of Vietnam (RVN) (Bui and Nguyen, 2006; Olsen, 2006; DeFronzo, 2007). As a result, there was in existence two accounting systems in Vietnam between 1954 and 1975: the socialist system in the North, based on the Chinese and Soviet Union models; and the previous French system in the South (Nguyen and Pham, 1997).

In developing a socialist state, the DRV started to build a socialist economy, with collective agricultural production as the basis for industrial and infrastructure planning,

with the VCP, led by President Ho Chi Minh, controlling all economic activities. Every single step from the initial stage of goal setting through to the planning and implementation stages was decided and directed by the VCP (Nguyen, 1975; Harvie and Tran, 1997; Bui and Nguyen, 2006). To serve the socialist political and economic directions, the DRV State adopted socialist accounting practices, using double-entry book-keeping. As such, French accounting practice was no longer applicable.

As its closest neighbour, China was the major source of military and economic aid to the DRV in its war against the French. Subsequent to the DRV liberation from the French in 1954, the Chinese involvement in Vietnam was then related to the DRV's economic planning to speed up its collectivization of agriculture using the Chinese economic model. In this political and economic context, the Chinese influence on accounting in Vietnam from the mid 1950s to the mid 1960s was reflected through the translation into Vietnamese of Chinese accounting practice for heavy industry, such as accounting for heavy industry enterprises and transportation, and the training of Vietnamese personnel on accounting and other skills.

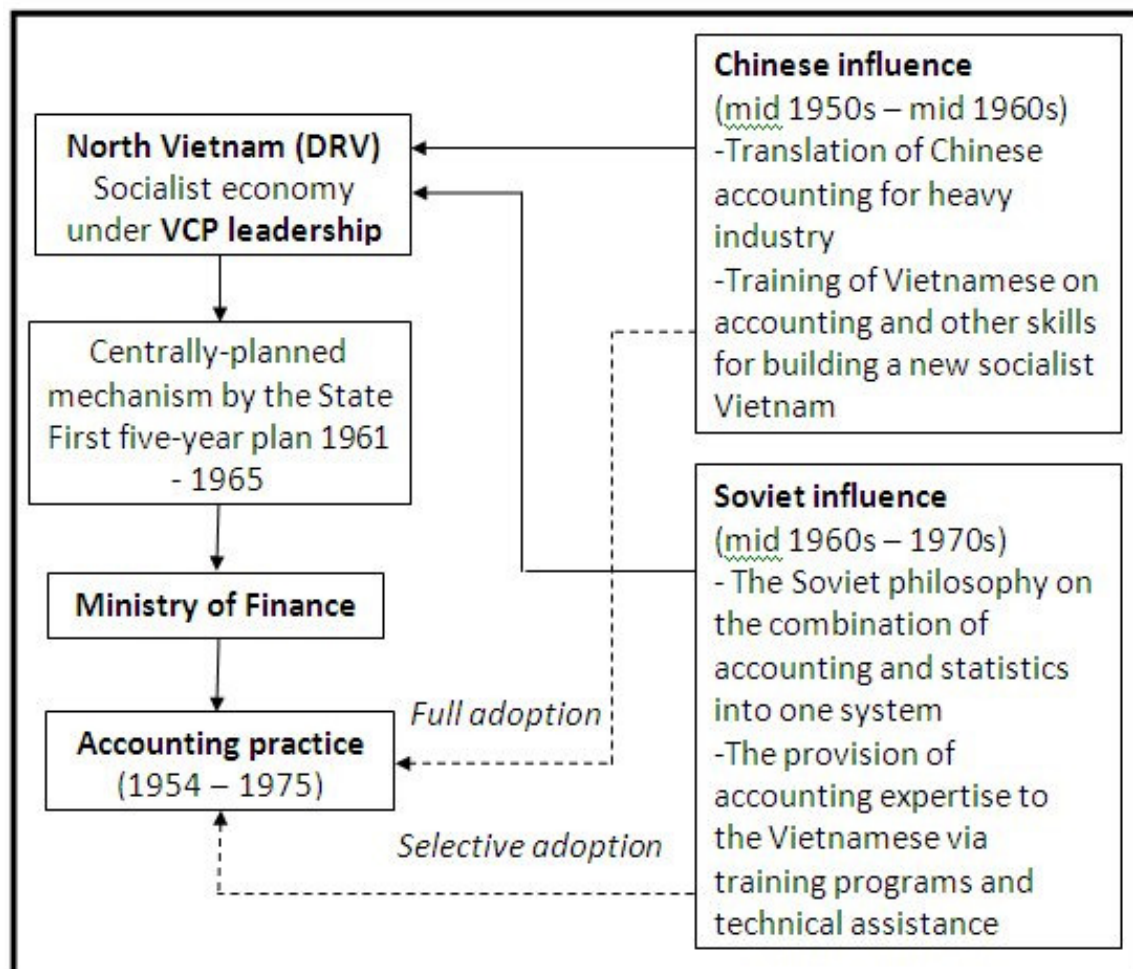
Also during this period, the DRV State implemented the first Five-Year Plan 1961 – 1965, with its primary objective being to complete the socialist transformation of the economy and to promote rapid development of the industrial and agricultural sectors, together with moving from small-scale to large-scale production (Duiker, 1983). Therefore, industry-based accounting was implemented by the DRV government, which included accounting for industrial and capital construction sectors, based on the Chinese accounting model. The Charter for Organisation of State Accounting was promulgated by the Prime Minister in October 1961 as the basis for the organization of accounting mechanisms and policy from the central level to the operational levels.

During the mid 1960s and the 1970s, due to political conflicts with China, the DRV became more reliant on the Soviet Union for political and military direction (Harvie and Tran, 1997; Raffin, 2008). As a result, the DRV State adopted the Soviet economic model, which was perceived to be the quickest way to develop the then agrarian economy, and centrally managed the economy using the centrally-planned mechanism.

The philosophy of the Soviet Union economic information system, which combined accounting and statistics in a single system to meet the information needs on macro- and micro- levels, was a mandate to improve accounting practice in Vietnam. The standardization of accounting rules was regarded as necessary for the compilation of national accounting and statistics and hence, very useful for a country like Vietnam, where the economy was planned and controlled by a centralized government. However, the DRV government chose to not entirely adopt the Soviet accounting model. This suggests that the Vietnamese government undertook a conservative approach to learn by itself as time went on; trying different approaches to see what would work best, and then moving gradually. As such, the modifications to the Soviet accounting model for Vietnam aimed to make accounting work simpler, by reducing the number of journals in the accounting books and to meet economic management requirements of a young socialist country like Vietnam. Therefore, the Soviet influence on accounting in the DRV was through use of the philosophy of Soviet accounting in respect of accounting and statistics combinations, and the provision of accounting expertise to the Vietnamese via training programs and technical assistance. Most importantly, the influential role of the state in the development of accounting in Vietnam resulted from the appointment of an MoF official, who was very knowledgeable on Soviet accounting, to be the then Director of the DAP of the MoF and to lead the development of the DRV accounting, based on the Soviet accounting system.

Therefore, as far as the era of the DRV is concerned, during 1954 – 1975, there was no evidence indicating the existence of Vietnamese accounting and auditing standards. The government's authority and hierarchical control of accounting rules and procedures were implemented through the MoF, and the state was also the market and the community, articulated in the Puxty *et al.* (1987) model. The state played a dominant role in economic development and regulating accounting practice.

The following Diagram 1 summarises the Chinese and Soviet influence on the DRV accounting practice during 1954 – 1975:



In the RVN, the US began their involvement by providing military and economic aid; hence the RVN economy was capitalist. However, training RVN personnel on accounting was not the US's priorities, as their main interests were political influence through military support.

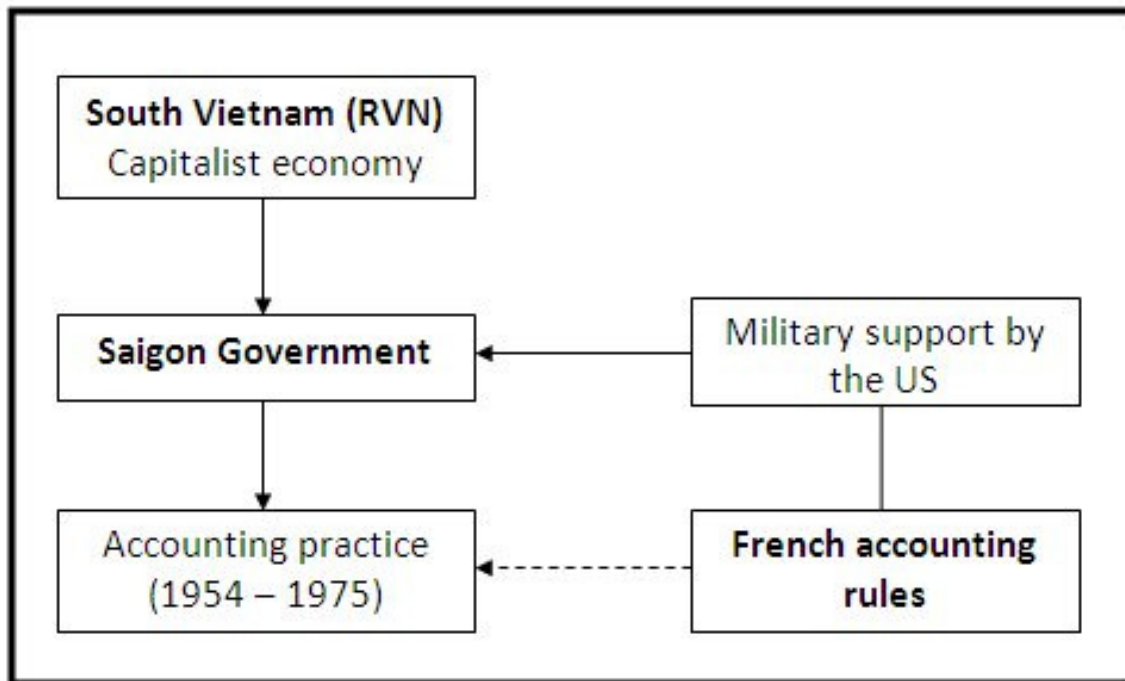
Accounting in South Vietnam after 1954 remained influenced by French rules. The US did not bring their accounting practice to the RVN because of three main reasons. Firstly, the main objectives of the US when dominating South Vietnam were to strengthen their political and military positions in the country; thus, they only brought modern management facilities to Vietnam, not their management mechanisms. Secondly, a majority of companies operating in the RVN was from Europe, so they continued using

the French accounting system to report to their home jurisdiction. Last but not least, it was not an easy task to retrain those Vietnamese who had been trained and worked for the French, as they were familiar with the way of handling bookkeeping using the French PCG. The evidence also suggests that Vietnamese accountants or book-keepers equipped themselves with knowledge on French accounting to enable them to work in companies in the RVN, by attending training programs in universities in Vietnam which were taught by those Vietnamese who had been trained overseas, including in France. In other words, the Americans did not contribute to accounting development or training in Vietnam during their rule.

In addition, despite the private sector being the key economic driver in the RVN economy, no law defining the accounting and auditing system for private enterprises was established by the RVN State. The RVN government's authority and hierarchical control was seen to be weak, as it was heavily dependent on and directed by the US. Any accounting system or practice in the RVN State was entirely a continued application of existing French rules. There is no evidence indicating then existence of an indigenous accounting system, nor a market for accounting services in the RVN during 1954 – 1975.

The DRV and the RVN economies had one important characteristic in common – they both relied heavily on foreign aid. The Soviet Union and China provided equipment and technical support to the DRV; whereas, the RVN received the economic and military assistance from the US. Thus, accounting practices of the DRV and the RVN were influenced by the economic environments, socialist and capitalist respectively. This situation is arguably unique in Vietnam in particular and in Southeast Asia in general before its political independence in 1975.

The following Diagram 2 shows the accounting practice in RVN during 1954 – 1975:



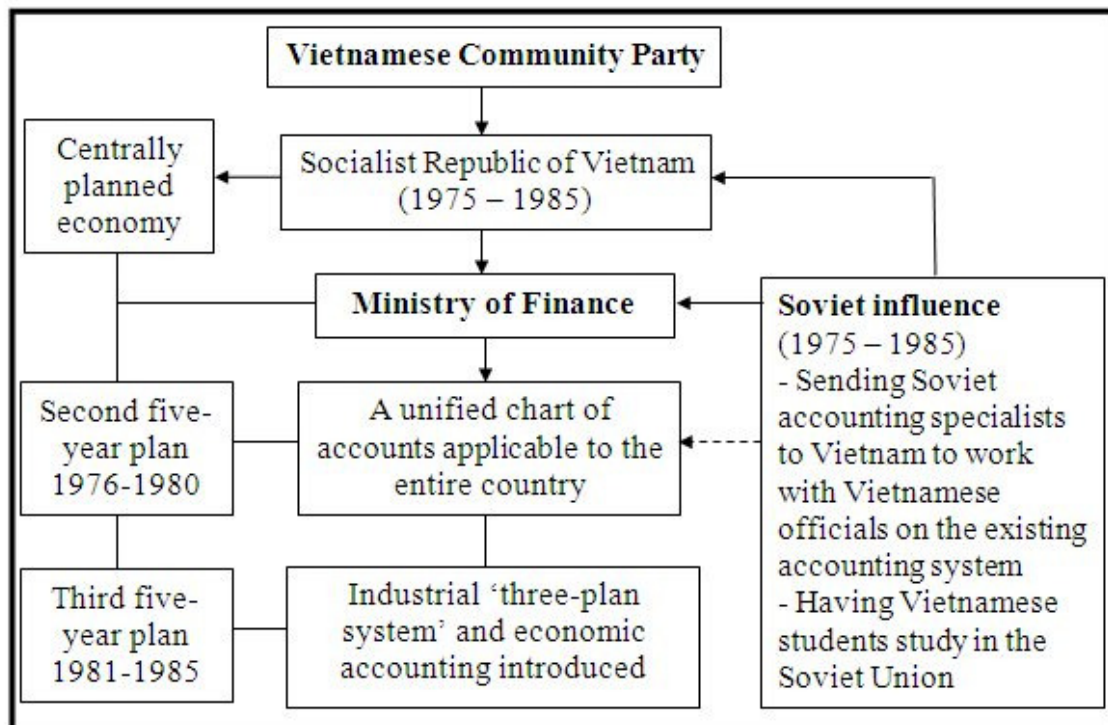
The third period was from 1975 – 1985, when the country was unified and proclaimed as the SRV. The SRV government took central planning and administrative direction of the socialist economy. As a result of the introduction of the state ownership of all production means and a centralized economic administration in the economy of the unified SRV, accounting was highly regulated. It was created as a tool to facilitate centralized economic planning and control. Therefore, the state continued being the market or community for accounting during this time.

With the introduction of the industrial three-plan system, in which enterprises were required to comply with state regulations [Plan A], specialised their production [Plan B], and freely decided on their production outside of their main line [Plan C] (Vu, 1995; Leung and Riedel, 2001), the state entrusted the accountability to directors of enterprises in ensuring the fulfilment of the assigned plans, as well as the truthfulness of reporting information. The main objective was that enterprises would only be profitable, and there was no need to disclose their financial information to the community. It can be argued that in a centrally-planned economy, the need for independent audit was minimal. As such, there was no market for accounting services. Accounting activities were mainly

focused on recording and reporting information for statistical and tax collection purposes. Also, there is no evidence indicating an existence of an indigenous Vietnamese accounting profession, as in Western countries, before 1986.

Accounting in Vietnam in this period was influenced by Soviet accounting, through technical assistance such as sending Soviet accounting specialists to work with Vietnamese accounting counterparts on the existing accounting system, and by training assistance such as having Vietnamese students study in the Soviet Union. However, the state continued its dominant role in the development of accounting across the country. Therefore, despite the return of peace, for over a decade the country experienced little or no economic growth because of conservative leadership policies. Nevertheless, the MoF issued accounting regulations to meet the requirements of economic and financial management of the state. Having the characteristics of a socialist system, the state retained its dominance and continued being the market and community for accounting.

The following Diagram 3 shows accounting practice in the independent SRV from 1975 – 1985:



However, although the French colonialists handled bookkeeping and budgeting reports and made little effort to train the Vietnamese on accounting or bookkeeping during their domination, it is observed that the French accounting practice had some indirect influence on accounting practice in Vietnam when the country was unified. This was reflected through the establishment and implementation of a uniform chart of accounts by the Vietnamese Government (MoF), issued in 1970 and continued being used after 1975 in the entire country. This could be seen as a positive aspect of the colonial heritage in the case of Vietnam.

The **second research question** to be answered was ‘How has the internal environment in Vietnam, including the impact of political and economic policies, contributed to the development of the accounting profession in Vietnam?’ Answers to this second question can be found in Chapters 5 and 6.

Chapter 5 covers the development of accounting in the transition economy from 1986 to 1997. There were some changes to the political and economic policies as a result of the Sixth Congress of the Communist Party in 1986. The major changes were that the Congress determined to transform the country from a centrally-planned economy into a socialist market-oriented economy under state guidance, and to implement the open-door policy with the launch of the economic renovation (Doi Moi) program. In addition, the 1986 Sixth Congress marked a thorough change in the government’s attitude towards the private sector, which comprises the non-state sector and foreign sector, recognising the multi-sectoral economy driven by the state-regulated market mechanism, as noted in the 1992 Constitution (Beresford, 2001; Tran, 2003; Bui and Nguyen, 2006).

The change of the political structure was also reflected in the 1992 Constitution, with the abolishment of the collective Council of Ministers, and the introduction of the President as the head of state and the nominal commander in chief of the Vietnamese military, and a government, headed by a Prime Minister. Despite this, the basic political principles with the VCP as the leading force remained unchanged. The National Assembly is the

unicameral legislature of the government (The Constitution, 1992; Schot, 1996; McCarty, 2001).

From the economic perspective, it should be noted that the US economic and trade embargo on Vietnam did not ended until 1995. The multi-sectoral structure of the economy, with diversified types of production and business organization, constitutes important components of the socialist market-oriented economy provided for in the 1992 Constitution. In the industrial sector, the SOEs reform included the autonomy given to SOEs in relation to their operations, and the encouragement and promotion of private sector which invited FDI into the country.

Corresponding with the changes in political and economic policies, the role of accounting has changed. It has moved from only serving the dominant sector in the economy, the state sector, in its planning and control needs and meeting the information needs of state in the centrally-planned economy; to one of serving the stakeholders including the government agencies and enterprise directors in a socialist market-oriented economy.

The reform of the accounting system of the state sector in Vietnam resulted from the SOEs reform. The substantial SOEs autonomy was regarded as a cornerstone of the state's policy on SOEs reform as part of its overall market policies in the late 1980s. This was promulgated by the Council of Ministers in November 1987 in a decision which introduced a profit-based accounting system. As a result, direct involvement of the state in planning and input-output quotas was abolished. Therefore, the requirements for the reform of fundamental tools and approaches on economic and financial management, including accounting and statistical tools, were urgent as one of premises for the economic reform towards a market economy.

The implementation of state policies on economic renovation in Vietnam have had a significant impact on various aspects of business and accounting practices. For example, instead of direct involvement in production, finance and marketing activities of SOEs as in the central planning economy, such responsibilities were transferred to directors of the

SOEs. As such, accounting information became useful to monitor the activities of enterprises and directors of SOEs were required to be more accountable for business performance. These are the major differences of accounting in this period compared to the period prior to 1986.

During this period, factors underpinning accounting reforms included the diversification of business operations and ownership as a result of the promulgation of the Company Law in 1990, the changes of the government's role in macro-economic management, and the commencement of internationalisation of economic activities implementing the Law on Foreign Investment in Vietnam in 1987. The preliminary stage of the accounting reform in Vietnam took place during 1986 – 1997, marked by the promulgation of major accounting regulations such as the Ordinance on Accounting and Statistics in 1988, the Charter for Organisation of State Accounting in 1989, and the new accounting system in 1995.

In essence, the Ordinance on Accounting and Statistics provides regulations for the accounting and statistics applicable in the national economy, excluding the FDI sector. The 1989 Charter for Organisation of State Accounting issued confirmed double-entry bookkeeping to ensure the balance of capital and sources of a balance sheet. It also included provisions relating to the organization of accounting work, the duties and obligations of chief accountants, accounting records, books and reports. These developments took place in the state sector.

It should also be noted that subsequent to the promulgation of the Company Law by the National Assembly in December 1990, SOEs were equitised or converted to one-member limited liability companies. As noted in the limitations, issues relating to accounting for securities companies are not discussed in this study. The diversification of business operations and ownership required a new accounting system. In addition, subsequent to the collapse of the Soviet Union in 1991, with the assistance of specialists of the Republic of France, and learning experiences from French, Eastern European, USA and IFAC accounting models, a new chart of accounts and a system of accounting reports were

drafted and promulgated by the MoF in November 1995, applicable to economic sectors in the nation.

It could be argued that with the open-door policy, Vietnam was regarded as a promising destination for foreign investors, including the French, in the Southeast Asia region. The adoption of the French PCG proposed by the French specialists would, perhaps, facilitate European investment into the country. In addition, it also suggests that the educational level of the Vietnamese people during this period was regarded by the French as higher than that during the colonial rule. Therefore, they were willing to help train Vietnamese accountants in the French accounting system. Despite their efforts, the proposal by the French specialists to adopt the French accounting system for the non-state sectors was not supported by the Vietnamese government, as it was not seen to be appropriate in Vietnam's context and also failed to meet the flexible book-keeping requirements of the corporate sector.

Four components in the new Vietnamese accounting system in 1995 included the unified chart of accounts, the financial reports, accounting vouchers and accounting books. There was no evidence of the existence of accounting standards for the corporate sector such as those in Western countries during this period, rather than the unified accounting system issued in 1995. In Western countries, accounting standards have been adopted for the corporate sector and/or private sector for good governance and transparency. The evidence suggests that the Vietnamese accounting system was dominantly promulgated by the state.

The influence of the French and Russians on the development of the Vietnamese accounting system was through the unification approach; the state determination and direction on accounting policy; and the recognition of the state as the primary user of accounting information. The unified accounting system in Vietnam is applicable to enterprises of economic sectors and industries in the entire country, except those in the banking and financial industries which are governed by the SBV. As accounting information produced by the new accounting system in 1995 was to satisfy the state

objectives, the freedom of individual businesses to act in economic and social fields seemed to be limited. This indicates that the economy was not a full market economy. The American influence on Vietnamese accounting was reflected in the introduction of the cash flow statement, albeit not compulsory, as part of the financial reporting system in the new Vietnamese accounting system in 1995; and the inclusion of accounts on provisions and contingencies to the chart of accounts in 1995. These are summarized in the following Table 7.1:

Table 7.1 - Summary of French, Soviet and American influences on accounting in Vietnam in the transition economy 1986 – 1997

French influence	Soviet influence	American influence
a unification approach	a unification approach	
the state determined and directed accounting policy	the state determined and directed accounting policy	
the recognition of the state as the primary user of accounting information	the recognition of the state as the primary user of accounting information	
		the introduction of the cash flow statement, albeit not compulsory, as part of financial reports; and the inclusion of accounts on provisions and contingencies to the chart of accounts

It can be concluded that the Vietnamese accounting system during 1986 – 1997 was a selective system, with some elements of the French, Soviet and American influence. The government drew from experience of Western and other socialist countries and took the essence of the French, Soviet and the American systems, to determine its own accounting system. This was considered by the government to be appropriate in the conditions of the

transition from the failed centrally-planned economy to a market-oriented economic system. This also reflects the state's overall direction set out in the 1992 Constitution. The mixed accounting model in the case of Vietnam was arguably appropriate for the country during the transition period.

In addition, the impact of FDIs, representing the private sector in Vietnam was important. At the time of the issuance of the Ordinance on Accounting and Statistics in 1988, FIEs, governed under the Law on Foreign Investment in Vietnam in 1987, were still allowed to use foreign accounting systems until the end of 2000. This was because the government realised that the then system did not meet the requirements of foreign investors when the economy was at the early stage of transformation into a market economy. However, the FIEs were required to obtain approval from the MoF prior to using a foreign accounting system and they were subject to audits by the MoF. The MPI was charged to be the competent authority on managing activities of the FDI sector. Therefore, FIEs were also required to submit their audited financial statements annually to the MPI, to have the legal basis to assess their business performance, as well as their compliance with financial obligations to the state budget.

Professional training for accountants received more attention by the MoF during this period. In order to improve the skills of accountants, especially CAs in SOEs, the state issued regulations in respect of accounting training, through the Charter of Chief Accountants in SOEs in 1989. The training for CAs of SOEs was prescribed by the MoF and was aimed at ensuring that the CAs were provided with essential professional knowledge to practise in the field. The CA certificate is issued by the MoF and valid for five years from the date of issuance. It could, therefore, be argued that the state influenced the supply of, and demand for, CAs for SOEs in the market. The Big Six (at the time) also played a role in the professional training for accountants, by providing free-of-charge accounting training courses to the MoF, in return for helping them understand and gain access to the Vietnam market. The accounting manpower in multinational accounting firms included Vietnamese and foreign nationals. Graduates from Vietnamese universities and those who had studied overseas were employed by

these companies. The recruitment process of multinational accounting firms was more robust than that of Vietnamese auditing firms. Therefore, auditors in the Big Six were arguably more experienced than their counterparts. As a result, the quality of their services was perceived to be better than that of Vietnamese auditing firms.

The first two Vietnamese auditing companies – Vietnam Auditing Company (VACO) and Vietnam Accounting Service Company (VASC) – were established and operated by the MoF in 1991. Auditors of these Vietnamese companies were all Vietnamese nationals. They obtained professional accounting training from the EURO-TAPVIET Project and free training courses offered by the then Big Six. In addition, the state received technical assistance from international organizations such as UNDP, the World Bank (WB), the ADB, and the EURO-TAPVIET Project in accounting. The accounting training provided by the EURO-TAPVIET Project aimed to enhance the professional skills of accountants to supply to the government and corporate sectors. The joint research project between the ADB and the WB, named the Regional Technical Assistance (RETA) 5877 on Strengthening financial management and governance in selected developing member countries, conducted studies on accounting and auditing practice in the country and provided recommendations to the government. The government was introduced to European accounting through these technical assistance programs.

It should also be noted that independent auditing was formed in 1994 by the government to conduct audits for business enterprises. In addition, State auditing was also set up by the government in 1994 to conduct audits in SOEs and government agencies, aiming to enhance state inspection in the management and usage of the state budget and the national properties. Therefore, the market of professional accountants was established by the state. The stock market was in its infancy during this period.

Chapter 6 discussed the development of accounting from 1998 to 2010. The changes in political and economic environment from 1998 until 2010 have been the country's membership into ASEAN in June 1995, the normalisation of diplomatic and economic

ties with the US after 20 years of embargo, the membership to APEC in 1998, and most importantly, its membership to the WTO in January 2007 after 12 years of the accession process. These developments all cemented the country's integration into the world economy.

In line with the acceleration of economic renovation from 1998 towards world economic integration, accounting gained greater prominence. In this context, and in an attempt to drive the country towards integration with the world economy, the Vietnamese government was committed to undertaking reforms of the accounting system. The government did this by learning more about international accounting standards and practices, and by improving the transparency and accountability in the financial and accounting system to safeguard the public interest as in Western countries.

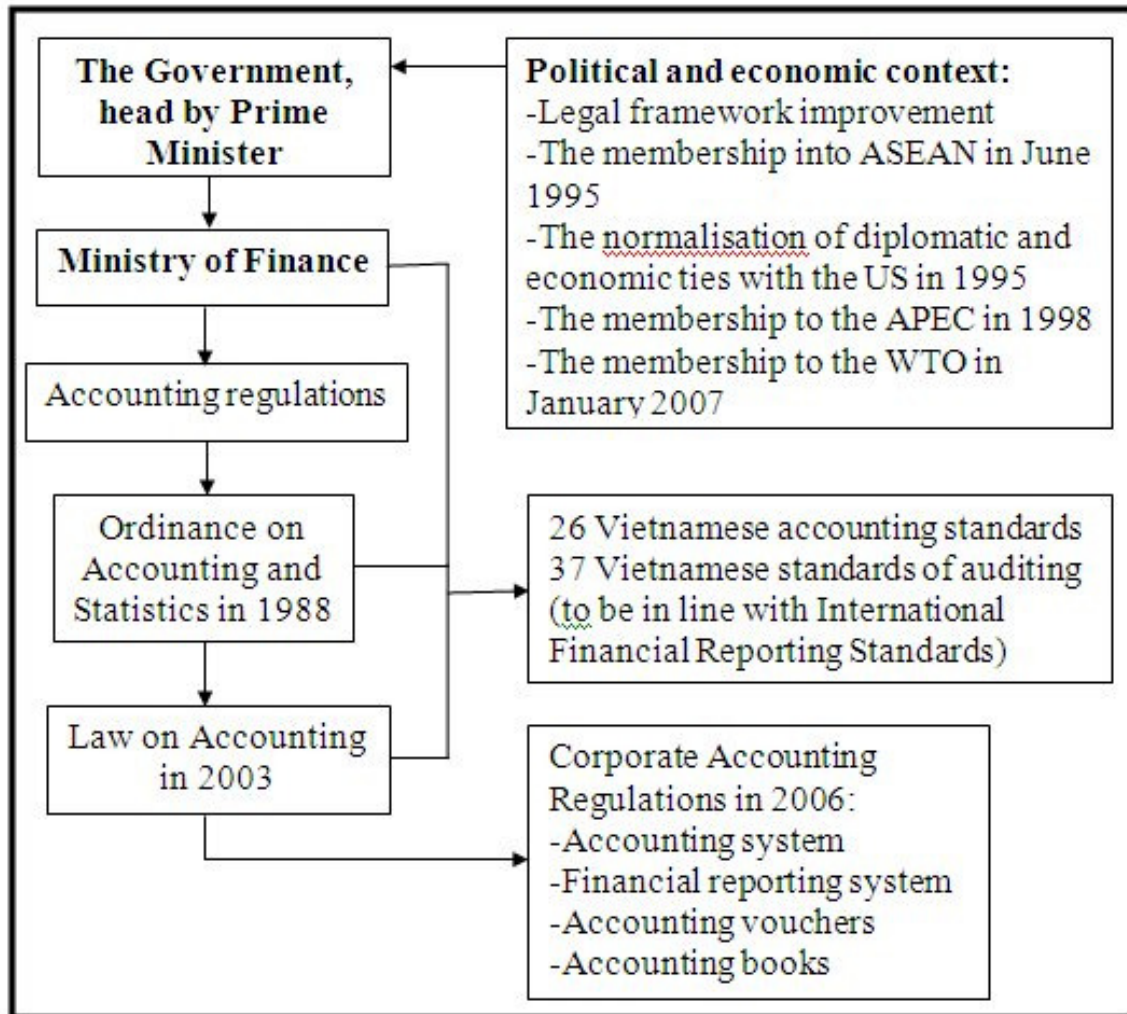
The accounting and auditing legal frameworks have continued to be improved towards a transparent system to meet the requirements of the socialist-oriented market economy from 1998. As a result of the pressure and requirements of globalization and also the Big Four, international organizations, donors and government agencies, major accounting regulations were issued by the government. They included 26 Vietnamese accounting standards (VASs) and 37 Vietnamese standards of auditing by the MoF, which are in line with IFRSs, with modifications to suit Vietnam's conditions and requirements. In addition, the Law on Accounting was passed by the National Assembly in 2003, as the highest legal document governing the nation's accounting and auditing activities during the economic integration period. It replaces the Ordinance on Accounting and Statistics issued in 1988 and is applicable to all economic sectors in the country.

The key accounting regulation discussed in Chapter 6 is the Law on Accounting promulgated in 2003. The co-existence of Vietnamese accounting standards and the LA is noted, because the Vietnamese law does not have a provision which allows the automatic adoption of any changes to IFRSs. New accounting standards can be issued from time to time and existing standards can be amended or modified as required. This also reflects an important feature of civil law countries, such as Vietnam, where

accounting rules are incorporated into national laws and promulgated by the government. This differs from common law countries, where private sector professional organisations establish accounting rules (Choi and Meek, 2011).

Further developments of Vietnamese accounting include the issuance of the Corporate Accounting Regulations by the MoF on 20 March 2006, applicable to businesses of all economic sectors in the country. The four components of the Corporate Accounting Regulations include the accounting system, financial reporting system, accounting vouchers and accounting books. According to the MoF, the rules complete Vietnam's corporate accounting regulation, subsequent to the issuance of the VASs and instructions.

The following Diagram 4 provides a summary of the influential role of the state, through the promulgation of major regulations on accounting, in the professionalization of accounting in Vietnam:



The **third research question** to be answered was ‘To what extent does an accounting profession now exist in Vietnam?’ Answers to this third question can be found in Chapters 5 and 6.

As discussed in Chapter 5, subsequent to the issuance of the Ordinance on Accounting and Statistics in 1988, the CA’s Club was established by the government in 1989 as a social organisation in Vietnam. It played a role of an accounting community to assist its members in enhancing their practice through accounting information sharing and experience exchange. The first Chairman of the Club was the then Minister of Finance. The organization and operations of the CA’s Club in the subsequent periods was managed by senior leaders of the DAP. It is also observed the relationship between the

state and the accounting association. The state established and managed the operation of the accounting body to serve its economic management. In its part, the accounting association, sponsored by the state, namely the CA's Club, acted as a social organisation to provide a forum for views and information exchange of accountants, as well as for disseminating accounting regulations and information.

In 1994 the government established the Vietnam Accounting Association (VAA) as another social organisation for accountants and auditors, under the sponsorship of the MoF. The CA's Club was not replaced by the VAA. It still exists and is a member of the VAA. Unlike professional bodies in Western countries, the VAA did not have the autonomy to issue practising certificates for accountants and auditors; rather this was exercised by DAP of the MoF. Also, the VAA did not have a role in the accounting regulatory process, nor the development of national accounting and auditing standards. In addition, the VAA operates on the basis of government regulations for its code of ethics, as it does not develop its own code of ethics. Similar to other developing countries such as in China (Hao, 1999), the Czech Republic (Seal *et al.*, 1996) and Brunei Darussalam (Yapa, 1999), the accounting association in Vietnam during the transition economy was relatively small, and hence, it is necessary for government intervention to safeguard the public interest. It is observed that there was no accounting profession in Vietnam similar to that in Western countries during this period.

State auditing and Vietnamese CPAs were also discussed in Chapter 6. Under the Law on State Audit in 2005, a state auditor certificate can be issued by the State Auditor-General to individuals who meet the criteria specified in the Law. All licensed auditors must hold at least a bachelor's degree in auditing, accounting, finance, banking, economics, law or other fields directly relevant to auditing. They are also required to attend a training course for state auditing and serve at least five years working in their areas of training, or have three years working as auditors at the State Audit of Vietnam (SAV). Senior auditors are appointed by the Standing Committee of the National Assembly; whereas, the State Auditor-General appoints auditors and principal auditors. According to the Regulations

on the examination and issuance of the state auditor certificate, only officials of the SAV are eligible for sitting the exam and being issued the state auditor certificate.

Subsequent to the promulgation of the LA in 2003, to be in line with the development of the accounting and auditing profession in the country, a number of organisational changes were made to the VAA, including the change of its name to Vietnam Association of Accountants and Auditors (VAA) in 2004. For the first time, Vietnamese certified public accountants (CPA) status was defined and recognized in the highest legal document, the LA issued in 2003. In addition to CAs, there was the existence of independent auditors and accounting practitioners, known as Vietnamese CPAs. Also for the first time in its history, there was a market for accounting services, created by the state. This was done by including in the provisions in the Accounting Law in 2003 the requirements for annual audits and audit reports to be signed by CPAs. The Accounting Law also allows enterprises to hire external accounting practitioners. The accounting services for Vietnamese companies and FIEs are provided by domestic auditing firms as well as the Big Four. It is observed from the LA that the provisions relating to the hiring of external accounting personnel resulted from the government's commitment on accounting reforms for transparency. The accounting information of enterprises in the market economy is no longer a state secret.

The CPA certificate in Vietnam is known as the Certificate of Auditors and the Certificate of Accounting Practice. Implementing the provisions of the LA, Regulations on examination and issuance of the auditor certificate and the accounting practising certificate (also known as registered accountants) were issued by the MoF. According to the Regulations, those who have obtained the auditor certificate and the accounting practising certificate issued by the MoF may choose to work in an auditing firm or in an enterprise. The MoF maintains the monopoly in the independent auditing practice, and the examination is the only way of obtaining a CPA certificate in Vietnam, which is centrally granted by the MoF. In addition, the MoF also allows foreign accounting practitioners and CPAs to practise in Vietnam, provided they pass a knowledge test organized by the Vietnam CPA Examination Board of the MoF once a year, to obtain a

Vietnamese CPA certificate. It is observed through archival records that the level of knowledge required for a Vietnamese CPA is much higher than that of a state auditor to be able to meet the demand of the business sector. The growth of the non-state sector suggests that the market for Vietnamese CPAs is larger than that of the state auditor.

With reference to Puxty *et al.* (1987), through its regulations, the state indicates its strong support to better supply accountants and auditors to the accounting services market, by recognising the diversification of education background of registered accountants and Vietnamese CPA holders. Apart from that, this also diversifies the knowledge and expertise of the accounting community to be able to provide better services to the market.

The Vietnamese CPA holders are eligible to register to practise in accounting and auditing and providing accounting and auditing services with the MoF. They are members of the VAA. The objectives and duties of the VAA set in its Charter and approved by the government, indicate that there is no competition among individual Vietnamese CPAs to protect their prestige or status. This perhaps reflects the ultimate guiding philosophy of the VCP – solidarity and uniformity.

As the accounting profession in Vietnam is further developed, with the recognition of Vietnamese CPAs, it is necessary to have a professional accounting body for CPAs, rather than a social organization, to be able to work with other professional accounting bodies in the region and the world. This resulted in the establishment of the VACPA in 2005, at the recommendation of the MoF, as a professional body for independent auditing practitioners in the country. The VACPA is a member of the VAA. Aiming to become a professional body like the ACCA, the VACPA follows the ACCA model in respect of operations and management structure. As a member of the VAA, VACPA objectives are consistent with that of the VAA. It is subject to state management in respect of the accounting and auditing profession exerted by the MoF. This suggests that although the state is still the main source of accounting and auditing knowledge, via its control over accounting legislation, the dissemination of this knowledge is in the hands of the newly-established VACPA. However, the qualification process retains with the MoF.

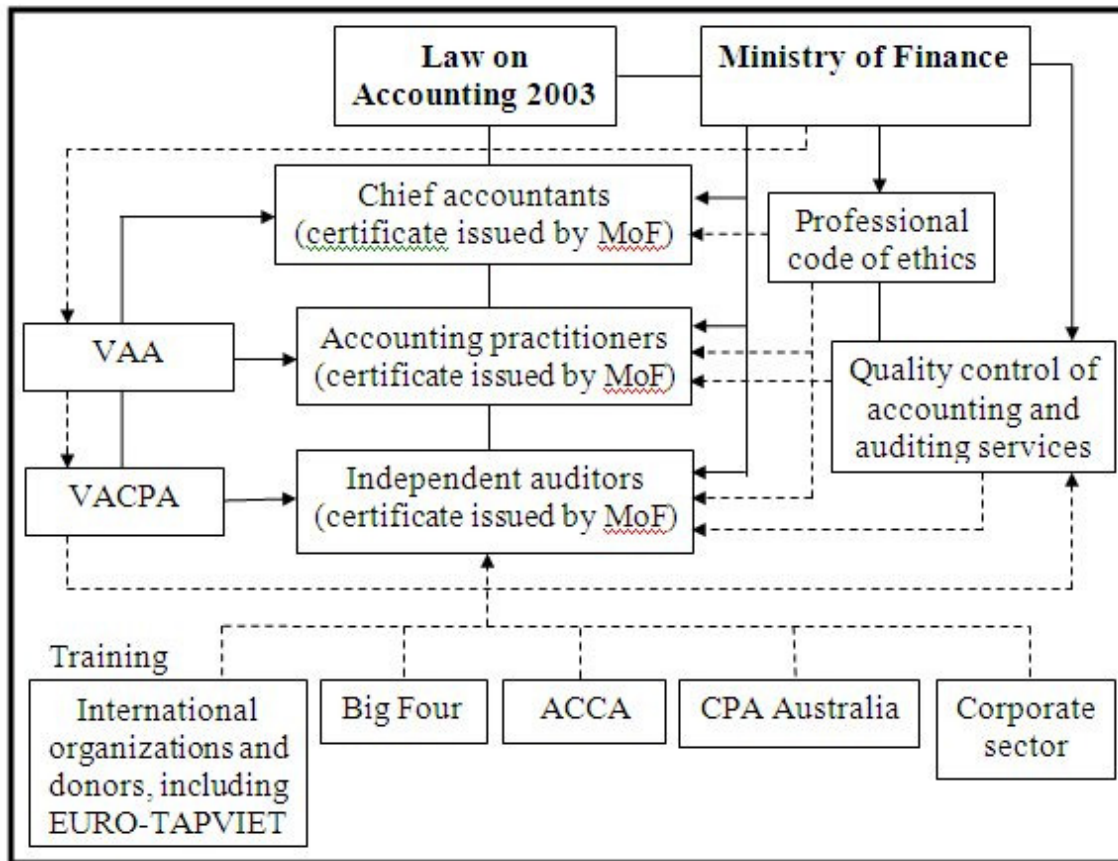
While the objectives of the VAA and the VACPA set out in their Charter are to gather and unite those who are working in accounting and auditing, under the umbrella of the MoF, the evidence suggests that there exists internal competition among the members, between professional practitioners (CPAs and registered accountants) and accountants, for status. Those who choose to become professional practitioners equip themselves with knowledge and experience to enable them to work for the Big Four and Vietnamese auditing companies; whereas those who choose to become accountants usually work for business enterprises. In addition, it is also observed that a senior MoF official holds the dual role in his official capacity as a government official and as a member of the VACPA executive. It could, therefore, be argued that the formation of the VACPA is driven by an interest group operating both inside and outside the MoF. Moreover, the lack of practical work experience in the accounting and auditing field of VAA leaders restricted its ability to become a truly professional accounting body, as that in Western countries. Therefore, those who are holders of the Vietnamese CPA certificate are unable to share knowledge and expertise with those who have not been practising, nor hold the Vietnamese CPA status. The evidence suggests that the establishment of the VACPA has enabled its members to share common values among themselves and with their international counterparts, to satisfy their identity and status.

The MoF also decided to transfer part of its state management duties in respect of accounting activities to the VAA and auditing activities to the VACPA, from 2005 onwards. This is a very important and significant event in the development of the accounting profession in Vietnam, and regarded as a premise for further development of accounting in Vietnam. This is because the transfer of responsibilities to manage the practising activities in accounting and auditing from the government through the MoF, to accounting and auditing bodies, the VAA and VACPA, is in line with international practice. It is observed that the categorization of duties between the VAA and the VACPA on accounting and auditing respectively is appropriate, because it would cause serious consequences if the VAA was assigned to manage auditing practice while its members did not have the knowledge and capacity to handle it. Periodically, the MoF

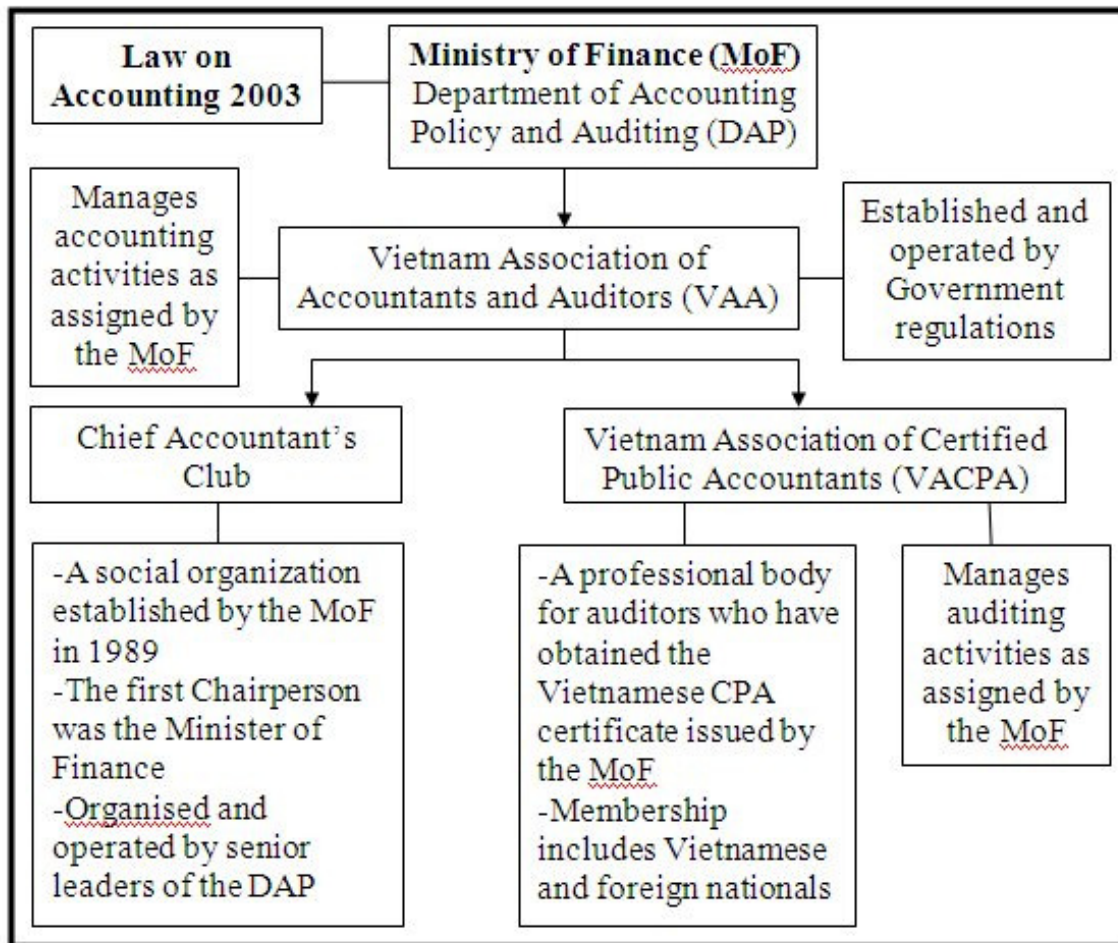
conducts a review of the implementation of the assigned duties with the VAA and the VACPA. The state retains its overall control and influence of the professional accounting and auditing activities, through accounting regulations. It also retains its dominant role in the regulatory process.

Besides, implementing the provisions under the LA, a professional code of ethics for the accounting and auditing profession in Vietnam was issued by the MoF in 2005, applicable to all accountants and auditors. Accordingly, the VAA is tasked by the MoF to provide guidance and check the adherence to the professional code of ethics of accountants and accounting practitioners; whereas the VACPA is authorized by the MoF to guide and check the adherence of independent auditors. As part of their professional code of ethics, the service quality of accountants and auditors in Vietnam is required to be improved to gain the public confidence and ensure the reliability of accounting and auditing information. Under the Regulations on quality control of accounting and auditing services issued by the MoF in May 2007, the VAA and the VACPA are authorised by the MoF, as part of the transfer of state management duties, to conduct quality inspection of services provided by accounting and auditing companies. Auditing firms, accounting practitioners and accountancy services companies are required to set up and implement a quality control system and ensure compliance with the system.

The three guiding principles in the Puxty *et al.* (1987) model, the state, the market and the community, are intertwined and complement each other, in which the state continues playing the dominant influence. The following Diagram 5 provides a summary of a market for accounting services, created by the state, for the corporate sector:



The following Diagram 6 provides a summary of an accounting community, created by the state:



It is argued that the implementation of the Vietnamese CPA exams and the existence of the professional code of ethics are indicative of the existence of an accounting profession in Vietnam. It should also be noted that the VAA became a member of IFAC and the AFA in 1998. The official membership of the VACPA to CAPA in June 2010 is another important and significant event in the development of accounting in Vietnam. It provides evidence of the recognition of the existence of the accounting profession in Vietnam, and the VACPA as a professional accounting body in the Asia-Pacific region.

The evidence also indicates that in the early years of Doi Moi, the Big Four provided free-of-charge training on accounting to the MoF in return for helping them to understand and gain access to the Vietnam market. Unlike the case of countries such as Trinidad and Tobago and Kenya, where the ACCA played a dominant role in accounting qualification

and certification and the profession, it is very important to note that the ACCA has been working cooperatively with Vietnamese accounting associations, the VAA and the VACPA, and not proactively competing with them. As such, the ACCA works in partnership with the MoF, and does not dominate the development of the Vietnamese accounting profession.

Empirical studies show that professionalization is about closure strategies through entry barriers, professional training, elite groups and professionals' attempts to safeguard or protect their rights, lobbying the state, and competition between professional bodies. This is not the case in Vietnam. It is argued that the cooperation between the MoF and the ACCA, through the inclusion of Vietnam-related subjects on taxation and enterprises law in the Joint Examination Scheme, and the provision of training assistance in professional development courses organised by the MoF and its agencies, including the VAA and the VACPA, is one of the significant milestones in the professionalization of accounting in Vietnam. Also, the mutual recognition of qualifications agreement of the MoF with CPA Australia has confirmed that there is an arrangement in place to recognize the equivalence of the Vietnamese CPA certificate and the CPA Australia certificate. As such, those who hold the Vietnamese CPA status are deemed to have the same skills and professional knowledge as that of their counterparts in Australia. Therefore, these cooperative agreements not only provide more opportunities for Vietnamese accountants and auditors to access and obtain internationally recognised qualification to practice in the profession, but also foster the competition for membership between the ACCA and CPA Australia, by promoting the profession, which is helping to create a momentum for strong development of the Vietnamese accounting profession. Both ACCA and CPA Australia have the same objective, that is, introducing their training program and qualification to Vietnam aiming for global expansion, rather than representing their members in a particular jurisdiction – Vietnam in this case. In broader points of view, they both aim to build their name for prestige and commercial benefits, through introducing their training program and qualification, which in turn helps sustain their operation and status in the Vietnam market in particular, and in the Asia – Pacific region

in general. Vietnamese accountants and auditors are able to be beneficial from such behavior.

As evidenced, the MoF plays an influential role in the cooperation and permission for international accounting organizations such as the ACCA and CPA Australia to establish and operate in Vietnam. In respect of the VAA and the VACPA, the MoF plays a role of directing and managing the operations of these local accounting associations.

7.4 Significance of the study

The significant issues identified in this historical study would be of interest to accounting policy makers in Vietnam and those researchers interested in studies on the development of accounting. This study also contributes to the literature on the development of accounting in developing countries.

It is observed that although the Big Four may favour the accounting profession in Vietnam to be self-regulated in respect of issuing practising qualifications like professional bodies in Western countries, it is unlikely that the accounting profession of a socialist country like Vietnam will be given self-regulatory powers in the foreseen future. The Vietnamese state still plays an influential role in economic and social life and regulating accounting practice. By examining the development of accounting in Vietnam in the colonial and post-colonial periods, the study indicates that the development of accounting in Vietnam is different from that in Western countries. This is because the state plays an influential role in the development process, and the market and community forces remain under the dominance of the state. In addition, it also suggests that the Vietnamese accounting profession is state-defined, given that the top-to-bottom development process is led by the state and subject to state regulations. This represents a common feature of civil law countries, such as Vietnam.

Also, the partial transfer of state management duties by the MoF of professional accounting and auditing activities to the VAA and the VACPA, from 2005 onwards, is a very important and significant event in the evolution of the accounting profession in

Vietnam. It is regarded as an essential premise for further professionalization of accounting in the country, and is in line with international practice on professionalization.

7.5 Suggestions for future research

This study has attempted to bridge the theoretical gaps in the sociology of accounting literature by illustrating the applicability of the Puxty *et al.* (1987) organizing principles in a developing country context. The nature of the accounting profession in Vietnam is that it is state-controlled, which is described by Siegrist (1990) as the one demonstrating a top-to-bottom development led by the state and is subject to state ordinances. Other research is needed to study the development of the auditing profession, the development of the taxation system, in-depth study on the development of the Vietnamese accounting and auditing standards, academic accounting education at Vietnamese universities in Vietnam, and the development of accounting for securities companies in Vietnam. Future studies could also be conducted to investigate the agenda of the Big Four towards the British and Australian accounting qualifications in Vietnam.

As noted earlier, the accounting and auditing legal framework in Vietnam continues to improve as the country is integrated with world economy. This has resulted in the issuance of accounting legislation by the Vietnamese government, such as the Law on Independent Auditing which was passed by the National Assembly on 29 March 2011 and is effective from 1 January 2012. Such legislation is not in the scope and duration of this study, so future research could be undertaken to examine the implications of these regulations on the accounting profession in Vietnam.

The Vietnamese experience also offers a model for comparative studies with other countries which do not have a colonial heritage, such as China, with other ASEAN countries including other ex-colonies. In addition, this study also suggests that although the Puxty *et al.* (1987) model has been employed to examine accounting regulation in advanced capitalist countries, it may also be useful to examine accounting regulation and development in socialist countries, such as Vietnam.

7.6 Conclusion

In developed and developing countries, the accounting profession has been recognised as a professional occupation. There are different pathways for the accounting profession of a country to evolve and develop, either by the influence of overseas professional accountancy bodies through a colonial regime, by local independent development within a country, or by the state-profession interaction. Research shows that economic reforms also have important implications for the evolution of a country's accounting profession and that the development of the accounting profession is linked to economic and social changes.

In summary, three main conclusions of this study are:

1. *The development of accounting in Vietnam is state-regulated despite the country's colonial heritage.*

Empirical studies indicate that the development of accounting in Western countries and ex-British colonies was initiated and influenced by the British accounting body, the ACCA; and that professional bodies in these ex-colonies have achieved their status through ethnicity and race (Hammond, 1997, Annisette, 2003; Sian 2006), sociology of professions (Willmott, 1986; Chua and Poullaos, 2002; Annisette and Kirkham, 2007), market and social closure (Chua and Poullaos, 1993, 1998; Poullaos, 1993, 1994 Yapa, 2010); cross-border competition (Chua and Poullaos 2002; Yapa, 2006); indigenous versus Westerners (Bakre, 2005, 2006, 2010), imperialism (Annisette, 1999, 2000, 2010; Richardson, 2010); and state regulation and state-professional relationship (Puxty *et al.*, 1987; Cooper *et al.*, 1989; Robson *et al.*, 1994; Miller, 1990; Chua and Poullaos, 1993).

However, the case of Vietnam is arguably unique in Southeast Asia and different from ex-British colonies in that despite the country being a French colony for more than eighty years, the French influence on accounting practice and training in the colony was very limited. Also, they did not initiate or develop an indigenous accounting profession in the country. In the post-colonial periods, the Vietnamese Government inherited the civil law

system from the French, and used it for economic development and regulating accounting practice. In their efforts to open up the economy to the world, many fundamental changes were made to political and economic policies, including the adoption of Western accounting practice, and the IFRSs as present. Moreover, the Vietnamese policy makers did not, and do not, adopt or follow the French accounting system, despite its colonial history.

In order to support the development of accounting, the government supports and permits the UK-based professional body, the ACCA, to establish and operate in Vietnam. The ACCA has provided Vietnamese accountants and auditors with more opportunities to have access to and gain internationally recognized qualifications to practise in the profession, through the Joint Examination Scheme and the localization of some of the training contents for the exams. It has also provided the Vietnamese accounting associations, the VAA and VACPA, with a good example of an operational model of a professional organization.

Most importantly, the Vietnamese experience implies that in a socialist country like Vietnam, the State, led by the VCP, has followed its own path, by directing and playing an influential role on the development, practice and training of the accounting profession, in order to facilitate it achieving its political and economic policies, inspite of its colonial heritage and the interests of the business community. This is the key message and also the focus throughout the entire study.

2. The accounting profession in Vietnam is state-defined.

The accounting associations in Vietnam, the VAA and VACPA, have been established and dominated by the government as the country has moved towards economic integration. By legislation, the State, through the MoF, has maintained its monopoly in accounting and auditing certification, practice and regulatory processes.

As noted earlier in this Chapter, while the objectives of the VAA and the VACPA set in their Charter are to gather and unite those who work in accounting and auditing under the umbrella of MoF, the evidence indicates that there is in existence internal competition among the members, between professional practitioners (CPAs and registered accountants) and accountants, for status. Accountants are able to work in business enterprises; whereas professional practitioners have more opportunities to take up in higher positions than accountants in business enterprises, or work for the Big Four or Vietnamese auditing firms which conduct audits of accounting work undertaken by accountants. Nevertheless, professional practitioners and accountants are required by the MoF to undertake continuing professional training program to enable them to keep up-to-date with changes and new development of globalization.

Therefore, the Vietnamese accounting profession differs from that of other ASEAN countries which have been influenced by the US and/or European colonial powers (Craig and Diga, 1996; Dyball *et al.*, 2007; Saudaragan and Diga, 2000, 2007; Yapa, 1999, 2006). Similar to Vietnam, being an ex-French colony, the Cambodian accounting profession was not developed by the French during their rule. However, different to Vietnam, French accounting was selected by the Cambodian authorities to help it develop an accounting system and association in the post-colonial period (Yapa *et al.*, 2010).

3. *There was in existence two accounting systems in the country subsequent to the liberation from French rule.*

During 1954 – 1975, the country was politically liberated from French rule and divided into two parts, with the DRV following socialist accounting system, based on the Chinese and Soviet Union models; and the RVN continuing with the French accounting practice, despite the American rule. In other words, the accounting practice in the “two” Vietnams was influenced by the socialist and capitalist environment; hence it is arguably unique in Southeast Asia. Also there is no evidence indicating American influence on accounting training and development in Vietnam during this period.

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Appendix 1 – Archive and oral history research – some key questions

1. Prior to 1945, what was the “state of play” of the accounting education and practices in the North and the South of Vietnam?
2. What was the influence of the State in respect of book-keeping/accounting at that time?
3. What were the main external influences on accounting practice and procedures of Vietnam (the North and the South) prior to 1945? How did the French and the Americans influence the development of the profession in Vietnam during this time?
4. How was accounting training undertaken in Vietnam during 1945 – 1975?
5. Before 1975 how was accounting practice in North Vietnam influenced by the Chinese?
6. What role did the former Soviet Union play in the development of accounting in Vietnam?
7. From 1975 – 1985, how had the political and economic policies impacted on the development of an accounting profession?
8. From 1986 to 2010, how has the accounting profession evolved and what have been the major influences?
9. What is the role of the VCP and the Government of Vietnam in the development of an accounting profession to date?
10. Is there an existence of accounting profession in Vietnam?

Appendix 2 – Copy of introduction letter

Date

Dear Participant,

I am currently a PhD student in the School of Accounting, College of Business, RMIT University. My thesis topic is *A Study of the Development of Accounting in Vietnam*, and my supervisors are Associate Professor Prem Yapa and Professor Barry Cooper.

I am inviting you to participate in my research. Your participation will involve a semi-structured interview for an average of about 45 – 60 minutes and your response will be taped and translated into English for the purpose of the research. Participation in this research is voluntary and you may withdraw at anytime.

This information sheet describes the project in straightforward language, or ‘plain English’. Please read this sheet carefully and be confident that you understand its contents before deciding whether to participate.

Who is involved in this research project? Why is it being conducted?

This is a research project for a Doctor of Philosophy degree at the School of Accounting and Law, RMIT University, conducted by a RMIT student, Ms Thanh Minh Vo Bui. The project is under supervision of Associate Professor Prem Yapa and Professor Barry Cooper.

The project has been approved by the RMIT Human Research Ethics Committee.

Why have you been approached?

You are invited to participate in this research to give in-depth individual views on issues relating to the evolution of the accounting profession in Vietnam. You have been invited to take part because of your professional knowledge and expertise.

What is the project about? What are the questions being addressed?

The accounting profession in Vietnam has developed rapidly since the implementation of the open-door policy. The signing of the Memorandum of Cooperation in December 2003 between the Vietnamese Ministry of Finance and the Association of Certified Chartered Accountants (ACCA), the signing of the Memorandum of Cooperation in May 2006 between the Vietnam Association of Certified Public Accountants and Auditors (VACPA) and CPA Australia, the Vietnam’s admission to the World Trade Organisation in January 2007, have officially confirmed the vital role of, and high demand for, the establishment of a strong accounting profession in Vietnam. Therefore, there is a need to develop an understanding of the process of the development of accounting in Vietnam, taking into account the impact of the colonial, political and economic influences.

If I agree to participate, what will I be required to do?

You will be required to answer about 10 semi-structured questions in relation to the accounting profession in Vietnam from your experience.

What are the risks or disadvantages associated with participation?

The only foreseeable disadvantage is giving up about an hour of your time.

What are the benefits associated with participation?

There is no direct benefit to the participants but the findings could help inform the future directions of the Vietnamese accounting profession.

What will happen to the information I provide?

The interview will be taken place in English or Vietnamese (as appropriate), taped and translated into English for research purposes. The data collected will be analysed for the thesis and the results may appear in publications. The results will be reported in a manner which does not enable you to be identified. Thus the reporting will protect your anonymity.

The data will be retained for five years upon completion of the project after which time paper records will be shredded and placed in a security recycle bin and electronic data will be deleted/destroyed in a secure manner. All data will be kept in a locked filing cabinet or password protected computer in the School of Accounting and Law, RMIT University in Australia. Data will be saved on the University network system where practicable. Only the Investigator and their supervisor will have access to the data.

Any information that you provide can be disclosed only if (1) it is to protect you or others from harm, (2) a court order is produced, or (3) you provide the researchers with written permission. We are not obtaining written informed consent from you. Instead, we assume that you have given consent by your taking part in the interview.

What are my rights as a participant?

As a participant, you have the following rights:

- ✓ The right to withdraw your participation at any time, without prejudice.
- ✓ The right to have any unprocessed data withdrawn and destroyed, provided it can be reliably identified, and provided that so doing does not increase the risk for you.
- ✓ The right to have any questions answered at any time.

Whom should I contact if I have any questions?

If you have any queries regarding this project please contact me, email:

s3116093@student.rmit.edu.au, my supervisors (A/Professor Prem Yapa, phone (03) 9925 1606, email: prem.yapa@rmit.edu.au; Professor Barry Cooper, phone (03) 9251 7805, email: barry.cooper@deakin.edu.au; or the Chair of the Business Portfolio Human Research Ethics Subcommittee, phone (03) 9925 5594, fax (03) 9925 5595, email: rdu@rmit.edu.au

What other issues should I be aware of before deciding whether to participate?

I will be asking your permission to audio-tape the interview to ensure the accuracy of the data.

Yours Sincerely,

(signature)

Thanh M. V. Bui



PhD candidate, School of Accounting, RMIT University

Master of Business Administration

Bachelor of Business

Any complaints about your participation in this project may be directed to the Chair, Portfolio Human Research Ethics Sub-Committee, Business Portfolio, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 5594 or email address rd�@rmit.edu.au. Details of the complaints procedure are available from: http://www.rmit.edu.au/rd/hrec_complaints

Appendix 3 – A copy of the Law No. 75 by President Ho Chi Minh regarding the establishment of the MoF (in Vietnamese) (Archival record 3, 1946)

<p style="text-align: center;">SAC LỆNH SỐ 75 TỔ CHỨC BỘ TÀI CHÍNH.</p> <p style="text-align: center;">CHỦ TỊCH CHÍNH PHỦ VIỆT-NAM DÂN-CHỦ CÔNG-HOÀ</p> <p>CHIỀU CHỈ SẮC LỆNH SỐ 57 NGÀY 3 THÁNG 5 NĂM 1946 ẨM ĐỊNH QUY TẠO TỔ CHỨC CÁC BỘ ;</p> <p>Theo đề nghị của Bộ trưởng Bộ Tài chính ;</p> <p>Sau khi được hội đồng Chính phủ thỏa thuận ,</p> <p style="text-align: center;">RA SẮC LỆNH :</p> <p><u>Điều thu nhất</u> .- Bộ Tài chính gồm có :</p> <p>A - Văn phòng B - Các phòng sự vụ C - Các nha D - Các cơ quan phụ thuộc E - Nha thanh tra tài chính G - Ban cố vấn chuyên môn;</p> <p><u>Điều thu 2</u> .- Trong văn phòng có phòng bí thư.</p> <p>a) Phòng bí thư - Nhiệm vụ : tiếp kiến, báo chí, công văn mật, quy định; Phòng bí thư đặt dưới quyền một bí thư.</p> <p>b) Văn phòng - Nhiệm vụ : nhân và phân phát công văn, tập trung các việc đặc cách, công tác có tính cách chính trị, tham khảo chế độ và vấn đề tài chính.</p> <p>Văn phòng đặt dưới quyền điều khiển của một đồng lý văn phòng. Nếu cần sẽ một hay hai tham chính văn phòng giúp việc.</p> <p><u>Điều thu 3</u> .- Các phòng sự vụ - Có 8 phòng sự vụ :</p> <p>1/ Phòng nhất : công văn thường, thu viên, nhân viên, dụng cụ 2/ Phòng nhì : ngân sách 3/ Phòng ba : kế toán 4/ Phòng tư : chế độ, ngân quỹ, công khai, ngân hàng 5/ Phòng năm : lương bổng, hưu bổng 6/ Phòng sáu : thuế khóa và các nguồn lợi tức quốc gia 7/ Phòng bảy : pháp chế và tổ tụng.</p> <div style="text-align: center;">  </div>	<p style="text-align: center;">- 2 -</p> <p>Một nghị định của Bộ trưởng Bộ Tài chính sẽ ẨM ĐỊNH RO RẾT nhiệm vụ các phòng sự vụ nơi trên.</p> <p>Có mỗi kỳ sẽ có một sơ tài chính đặt dưới quyền của giám đốc tài chính liên lạc trực tiếp với bộ Tài chính và có nhiệm vụ thi hành nhưng luật lệ về tài chính trong phạm vi kỳ.</p> <p>Có mỗi tỉnh có một ủy viên tài chính phụ trách thi hành nhưng luật lệ tài chính trong phạm vi tỉnh. Ủy viên ấy thuộc quyền điều khiển của giám đốc tài chính kỳ.</p> <p>Giám đốc tài chính kỳ và ủy viên tài chính tỉnh sẽ do nghị định của Bộ trưởng bộ Tài chính bổ dụng.</p> <p>Một nghị định sau sẽ ẨM ĐỊNH RO RẾT các nhiệm vụ của cơ quan tài chính các kỳ và các tỉnh.</p> <p>Các phòng sự vụ và các giám đốc tài chính kỳ sẽ đặt dưới quyền điều khiển trực tiếp của đồng lý sự vụ. Nếu cần sẽ đặt thêm phó đồng lý sự vụ để giúp việc.</p> <p><u>Điều thu 4</u> .- Các nha - Có 5 nha :</p> <p>1/ Nha thuế quan và thuế gián thu 2/ Nha trước bạ công sản và điền thổ 3/ Nha thuế trực thu 4/ Nha ngân quỹ 5/ Nha hưu bổng.</p> <p>Các nha sẽ thuộc quyền trực tiếp ông Bộ trưởng.</p> <p>Mỗi nha có nghị định riêng ẨM ĐỊNH nhiệm vụ và tổ chức.</p> <p><u>Điều thu 5</u> .- Các cơ quan phụ thuộc :</p> <p>a) Sở đưc tiền b) Cơ quan ăn lộc.</p> <p>Một nghị định sẽ ẨM ĐỊNH sự tổ chức và quản trị các cơ quan này.</p> <p><u>Điều thu 6</u> .- Nha thanh tra tài chính - Nhiệm vụ của nha thanh tra tài chính sẽ do một nghị định ẨM ĐỊNH sau.</p> <p>Nha thanh tra tài chính đặt dưới quyền ông tổng thanh tra tài chính.</p> <p><u>Điều thu 7</u> .- Ban cố vấn chuyên môn - Sẽ có một nghị định thiết lập một ban cố vấn chuyên môn.</p> <p><u>Điều thu 8</u> .- Bộ trưởng bộ Tài chính có nhiệm vụ thi hành sắc lệnh này.</p> <p style="text-align: right;">Hà-nội, ngày 29 tháng 5 năm 1946 HỒ CHÍ MINH</p> <div style="text-align: center;">  </div>
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Appendix 4 – Decree No. 1076-TTg dated 11 October 1956 of the Prime Minister's Office regarding the establishment of Department of Accounting Policy under the Ministry of Finance (in Vietnamese)

PHỦ THỦ TƯỚNG

NGHỊ ĐỊNH số 1076 - TTg ngày 11-10-
1956 thành lập Vụ "Chế độ kế toán"
thuộc Bộ Tài chính.

THỦ TƯỚNG CHÍNH PHỦ

Căn cứ sắc lệnh số 76-SL ngày 29-5-1946 tổ chức Bộ Tài chính ;

Căn cứ đề nghị của ông Bộ trưởng Bộ Tài chính và nghị quyết của Hội đồng Chính phủ về điều lệ tổ chức Cục Thống kê và các cơ quan Thống kê các cấp ;

NGHỊ ĐỊNH:

Điều 1. Nay thành lập Vụ Chế độ Kế toán thuộc Bộ Tài chính.

Điều 2. Vụ Chế độ kế toán có nhiệm vụ giúp Bộ Tài chính:

- Xây dựng và ban hành các chế độ thống nhất về kế toán và các quy tắc kế toán xí nghiệp công nghiệp, nông nghiệp quốc doanh và kiến thiết cơ bản.
- Xét duyệt các chế độ kế toán do các ngành chuyên nghiệp nghiên cứu đề ra.
- Kiểm tra tình hình chấp hành các chế độ kế toán nói trên để cải tiến kịp thời với đà phát triển của kinh tế nước nhà.
- Giải quyết những vấn đề thuộc nghiệp vụ kế toán do các ngành đề ra.

Điều 3. Chi tiết thi hành nghị định này do ông Bộ trưởng Bộ Tài chính quy định.

Điều 4. Các ông Bộ trưởng Bộ Tài chính và Bộ trưởng các Bộ thi hành nghị định này.

Hà-nội, ngày 11 tháng 10 năm 1956

K/T Thủ tướng Chính phủ

**Phó Thủ tướng
PHAN-KẾ-TOẠI**

Appendix 5 – Decision No. 776 TC/CDKT dated 29 November 1961 by the Ministry of Finance providing accounting regulation for State-run industrial sector (in Vietnamese) (Archival records 6, 1961b)

<p>BỘ TÀI CHÍNH Số 776 TC/CDKT</p> <p>VIỆT NAM DÂN CHỦ CÔNG HÒA Độc lập Tự do Hạnh phúc</p> <p>Hà Nội, ngày 29 tháng 11 năm 1961</p> <p>BỘ TRƯỞNG BỘ TÀI CHÍNH</p> <p>Căn cứ nghị định số 199 CP ngày 7 tháng 11 năm 1961 của Hội đồng Chính phủ quy định nhiệm vụ, quyền hạn và tổ chức bộ máy của Bộ Tài chính.</p> <p>Căn cứ điều 11 của Điều lệ tổ chức và hoạt động của Bộ Tài chính.</p> <p>QUYẾT ĐỊNH:</p> <p>Điều 1. - Nay ban hành chế độ kế toán công nghiệp (kèm theo quyết định này) gồm hai phần: - Hệ thống tài khoản; - Nội dung của các tài khoản.</p> <p>Điều 2. - Chế độ kế toán này áp dụng chung cho tất cả các xí nghiệp công nghiệp quốc doanh, không phân biệt tính chất và quy mô sản xuất, không phân biệt quyền quản lý thuộc Trung ương hay địa phương.</p> <p>Điều 3. - Căn cứ vào chế độ kế toán công nghiệp chung này: a) Các ngành chủ quản ở Trung ương có thể đề nghị bộ, sở, những đơn vị cần thiết cho thích hợp với tính hình cụ thể của ngành mình. Những điểm bổ sung đó chỉ được thi hành sau khi có sự đồng ý của Bộ Tài chính. Riêng đối với các xí nghiệp công nghiệp chủ quản Trung ương có thể tự theo tính hình cụ thể của ngành mình, bổ sung những tài khoản cần thiết và báo cho Bộ Tài chính biết. b) Các Ủy ban hành chính địa phương (xã, tỉnh, thành phố) có thể ban hành các chế độ kế toán thích hợp với tính hình đặc điểm của địa phương, nhưng đó áp dụng trong các xí nghiệp công nghiệp thuộc quyền quản lý của địa phương. c) Các cơ quan quản lý xí nghiệp công nghiệp công tư hợp doanh sẽ nghiên cứu và đề xuất chế độ kế toán để áp dụng cho thích hợp với tính hình đặc điểm của các xí nghiệp công tư hợp doanh.</p> <p>Điều 4. - Chế độ này bắt đầu thi hành từ ngày 1 tháng 1 năm 1962.</p> <p>Điều 5. - Tất cả những quy định về chế độ kế toán công nghiệp đã ban hành trước đây trái với quy định của chế độ này đều bãi bỏ.</p> <p>KM: BỘ TRƯỞNG BỘ TÀI CHÍNH Thủ trưởng Đã ký: TRINH VĂN BÌNH</p> <p>Sao lục Vụ chế độ Vụ kế toán</p> <p>TRUNG TÂM LƯU LƯU THƯC GIẤY BẢN SAO</p>	<p>HỆ THỐNG TÀI KHOẢN KẾ TOÁN CỦA XÍ NGHIỆP CÔNG NGHIỆP</p> <table border="1"> <thead> <tr> <th>TÊN TÀI KHOẢN</th> <th>hiệu số hiệu và tên các tài khoản</th> </tr> </thead> <tbody> <tr> <td>LOẠI I - TÀI SẢN CỐ ĐỊNH</td> <td></td> </tr> <tr> <td>1. Tài sản cố định</td> <td>001</td> </tr> <tr> <td>2. Khấu hao tài sản cố định</td> <td>004</td> </tr> <tr> <td>3. Thanh toán tài sản cố định</td> <td>008</td> </tr> <tr> <td>4. Sửa chữa lớn</td> <td>010</td> </tr> <tr> <td>LOẠI II - VẬT LIỆU</td> <td></td> </tr> <tr> <td>5. Thu mua vật liệu</td> <td>020</td> </tr> <tr> <td>6. Nguyên vật liệu chính</td> <td>021</td> </tr> <tr> <td>7. Vật liệu phụ</td> <td>022</td> </tr> <tr> <td>8. Nhiên liệu</td> <td>023</td> </tr> <tr> <td>9. Vật bao bì</td> <td>024</td> </tr> <tr> <td>10. Vật liệu thuê ngoài chế biến</td> <td>025</td> </tr> <tr> <td>11. Vật re tiền mau hỏng</td> <td>026</td> </tr> <tr> <td>12. Phấn bột vật re tiền mau hỏng</td> <td>028</td> </tr> <tr> <td>13. Phụ tùng sửa chữa và thay thế</td> <td>029</td> </tr> <tr> <td>14. Phế liệu</td> <td>030</td> </tr> <tr> <td>15. Quyền lợi giữa giá thực tế và giá hạch toán của vật liệu</td> <td>035</td> </tr> <tr> <td>16. Vật liệu đang đi đường</td> <td>036</td> </tr> <tr> <td>17. Trị giá lại vật liệu</td> <td>039</td> </tr> <tr> <td>LOẠI III - CHI PHÍ SẢN XUẤT VÀ TÍNH GIÁ THÀNH</td> <td></td> </tr> <tr> <td>18. Sản xuất chính</td> <td>043</td> </tr> <tr> <td>19. Kho bán thành phẩm tự chế</td> <td>046</td> </tr> <tr> <td>20. Sản xuất phụ</td> <td>047</td> </tr> <tr> <td>21. Kinh doanh ngoài công nghiệp</td> <td>048</td> </tr> </tbody> </table> <p>11. Nguyên vật liệu chính 12. Nguyên vật liệu phụ 13. Nhiên liệu 14. Vật bao bì 15. Vật re tiền mau hỏng 16. Phụ tùng sửa chữa và thay thế 17. Trong kho 18. Đang dùng 19. Có 6 tiểu khoản phụ tại khoản 020 (tài khoản này có giá trị tính theo 2 phương pháp: tính toán: phương pháp có xuống tại khoản 020 và phương pháp không sử dụng tài khoản 020).</p> <p>21. Chi phí 22. Tráng trở 23. TSCĐ cho ngoài thuê 24. Nhà ở 25. Nhà ở cho công nhân viên chức 26. ...</p>	TÊN TÀI KHOẢN	hiệu số hiệu và tên các tài khoản	LOẠI I - TÀI SẢN CỐ ĐỊNH		1. Tài sản cố định	001	2. Khấu hao tài sản cố định	004	3. Thanh toán tài sản cố định	008	4. Sửa chữa lớn	010	LOẠI II - VẬT LIỆU		5. Thu mua vật liệu	020	6. Nguyên vật liệu chính	021	7. Vật liệu phụ	022	8. Nhiên liệu	023	9. Vật bao bì	024	10. Vật liệu thuê ngoài chế biến	025	11. Vật re tiền mau hỏng	026	12. Phấn bột vật re tiền mau hỏng	028	13. Phụ tùng sửa chữa và thay thế	029	14. Phế liệu	030	15. Quyền lợi giữa giá thực tế và giá hạch toán của vật liệu	035	16. Vật liệu đang đi đường	036	17. Trị giá lại vật liệu	039	LOẠI III - CHI PHÍ SẢN XUẤT VÀ TÍNH GIÁ THÀNH		18. Sản xuất chính	043	19. Kho bán thành phẩm tự chế	046	20. Sản xuất phụ	047	21. Kinh doanh ngoài công nghiệp	048
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- Tài khoản số 6 - Hạn mức cấp phát kiến thiết cơ bản
- Tài khoản số 7 - Khoản nợ khó đòi đã chuyển vào lỗ.

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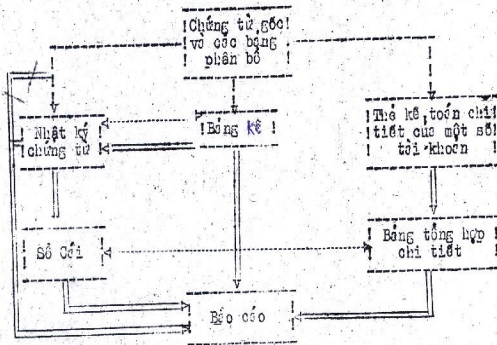
Appendix 6 – Circular No. 11 TC/CDKT dated 28 July 1972 issued by Ministry of Finance providing regulations on the application of Journal – Voucher accounting system in the national economic sectors (in Vietnamese) (Archival records 9, 1972)

<p style="text-align: center;">BỘ TÀI CHÍNH - - - Số : 11 TC/CDKT</p> <p style="text-align: center;">VIỆT NAM DÂN CHỦ CỘNG HÒA Bộ lập Dự đo Kế hoạch</p> <p style="text-align: right;">tn.200</p> <p style="text-align: center;">Hà Nội, ngày 28 tháng 7 năm 1972</p> <p style="text-align: center;">THÔNG TƯ Quy định về cách thức áp dụng hình thức kế toán nhật ký chứng từ (NKCT) trong các ngành kinh tế quốc dân.</p> <p>Chế độ sổ sách kế toán theo hình thức kế toán nhật ký chứng từ áp dụng cho các xí nghiệp công nghiệp quốc doanh đã được ban hành theo quyết định của Bộ Tài chính số 426-TC/CDKT ngày 14/12/1970. Thông tư này quy định thống nhất cách thức xây dựng và áp dụng sổ sách kế toán theo hình thức kế toán này ở các đơn vị, xí nghiệp thuộc các ngành kinh tế quốc dân.</p> <p style="text-align: center;">- I - QUY ĐỊNH CHUNG</p> <p>1. Các xí nghiệp, cơ quan công nghiệp chủ quản áp dụng chế độ sổ sách kế toán theo hình thức kế toán nhật ký chứng từ phải tuân trọng những nguyên tắc sau đây :</p> <p>a) Phải tập hợp và hệ thống hóa các nghiệp vụ kinh tế phát sinh ở bên Có của các tài khoản, đồng thời phân tích các nghiệp vụ đó theo các tài khoản đối ứng Nợ;</p> <p>b) Phải kết hợp chặt chẽ việc ghi chép các nghiệp vụ kinh tế theo trật tự thời gian phát sinh với việc hệ thống hóa các nghiệp vụ đó theo nội dung kinh tế (tài khoản kế toán);</p> <p>c) Phải kết hợp việc hạch toán tổng hợp với hạch toán chi tiết các nghiệp vụ kinh tế phát sinh trên cùng một sổ sách kế toán và trong cùng một quá trình ghi chép;</p> <p>d) Trong sổ sách kế toán, phải hệ thống hóa việc ghi chép các nghiệp vụ kinh tế phát sinh theo những chỉ tiêu cần thiết cho việc lập các báo cáo kế toán và cho việc phân tích, kiểm tra các hoạt động kinh tế, tài chính của đơn vị;</p> <p>e) Phải đúng các mẫu số đã in sẵn các quan hệ đối ứng của các tài khoản và hệ thống chỉ tiêu, hạch toán chi tiết đã quy định.</p> <p style="text-align: center;">- II -</p> <p><u>NHỮNG QUY ĐỊNH VỀ NỘI DUNG CÁC LOẠI SỔ SÁCH, TRÌNH TỰ GHI CHÉP VÀ SỐ LƯỢNG CÁC LOẠI SỔ SÁCH CẦN THIẾT TRONG HÌNH THỨC NHẬT KÝ CHỨNG TỪ</u></p> <p style="text-align: center;">CHỨNG TỪ</p> <p>2. Trong hình thức kế toán nhật ký chứng từ được sử dụng các loại sổ sách chủ yếu sau đây :</p> <ul style="list-style-type: none"> - Nhật ký chứng từ - Bảng kê - Sổ Cái - Thẻ kế toán chi tiết 	<p style="text-align: center;">- 2 -</p> <p>3. Nhật ký chứng từ : là sổ kế toán cơ bản, dùng để phản ánh số phát sinh bên Có của các tài khoản, mỗi tài khoản được mở một nhật ký chứng từ, hoặc một nhật ký chứng từ có thể mở để theo dõi một số tài khoản có nội dung kinh tế giống nhau hoặc có quan hệ đối ứng mật thiết với nhau.</p> <p>Trên nhật ký chứng từ chỉ phản ánh số phát sinh bên Có của tài khoản. Trường hợp ngoại lệ, để phục vụ cho yêu cầu hạch toán và kiểm tra, trên một số nhật ký chứng từ theo dõi các nghiệp vụ thanh toán (kết hợp hạch toán tổng hợp và hạch toán chi tiết), ngoài số phát sinh Có của tài khoản, còn phản ánh số dự ứng Nợ, số phát sinh Nợ và số dư cuối kỳ của tài khoản. Nhật ký chứng từ được mở để theo dõi các nghiệp vụ kinh tế phát sinh từng tháng, từng quý, hết mỗi tháng phải khóa sổ nhật ký chứng từ của quý mở nhật ký chứng từ mới. Các mở nhật ký chứng từ một quá trình trên lên trên với quy định trên và các quy định ở điều 12 và điều 13 trong thông tư này.</p> <p>4. Bảng kê : được dùng trong những trường hợp cần thiết phải ghi chép, theo dõi các chỉ tiêu chi tiết của các tài khoản khi không thể kết hợp phản ánh trực tiếp các chỉ tiêu này trên các nhật ký chứng từ được. Trong trường hợp này, số liệu của các chứng từ gốc, trước hết, được tập hợp về hệ thống hợp trên các bảng kê. Đến cuối tháng, lấy số liệu tổng cộng của bảng kê chuyển vào nhật ký chứng từ. Các bảng kê phản ánh chủ yếu số phát sinh bên Có của tài khoản. Để thuận tiện cho việc kiểm tra và nắm chất tiền vốn, thì riêng đối với các nghiệp vụ vốn bằng tiền (tiền mặt, tiền gửi ngân hàng), các bảng kê được ghi chép theo bên Nợ của tài khoản. Các mở trên lên các bảng kê trên với quy định trên và các quy định ở điều 12 và điều 13 trong thông tư này.</p> <p>5. Sổ Cái chi tiết : để thuận tiện cho việc tập hợp số phát sinh Nợ của một số tài khoản tổng hợp như các tài khoản phản ánh chi phí sản xuất, chi phí tồn lưu thông..., ngoài các nhật ký chứng từ và bảng kê còn có thể sử dụng sổ tay kê chi tiết. Sổ tay kê chi tiết là tài liệu tập hợp các chỉ phí đã được phản ánh ở các nhật ký chứng từ khác để ghi vào các bảng kê chi phí sản xuất, các nhật ký chứng từ và các bảng kê khác có liên quan, theo các chỉ tiêu chi tiết quy định.</p> <p>6. Cũng như trong các hình thức kế toán khác, để hợp lý hóa công việc ghi chép các sổ sách, trong hình thức kế toán nhật ký chứng từ phải sử dụng rộng rãi các bảng phân bổ, là loại chứng từ tổng hợp, phân loại chứng từ gốc theo các đối tượng sử dụng. Bảng phân bổ này được dùng cho các loại chi phí phát sinh nhiều lần (như vật liệu, tiền lương), hoặc mang tính chất phân bổ (như khấu hao, tài sản cố định, phân bổ vật re tiền mua hàng, phân bổ hao và chi xuất phụ ...)</p> <p>7. Sổ Cái là sổ kế toán tổng hợp mở cho các đơn vị, mỗi tờ sổ dùng cho một tài khoản, phản ánh số dư đầu tháng, số phát sinh trong tháng và số dư cuối tháng. Trong sổ Cái số phát sinh Có của tài khoản chỉ phản ánh tổng số, số phát sinh Nợ của tài khoản được phản ánh chi tiết theo các tài khoản đối ứng Có (theo các nhật ký chứng từ có liên quan).</p> <p>8. Đối với tài sản cố định, vật tư hàng hóa, thành phẩm, chi phí sản xuất, cần phải nắm chắc tình hình biến động thường xuyên và chi tiết theo từng loại, từng thứ, từng đối tượng có và</p>
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số lượng lớn ghi trị, nên không thể kết hợp phản ánh đầy đủ trong nhật ký chứng từ và bảng kê được, mà bắt buộc phải mở các thẻ hoặc sổ kế toán chi tiết riêng. Phải căn cứ vào chứng từ gốc để ghi vào các thẻ hoặc sổ kế toán chi tiết. Cuối tháng, căn cứ vào các thẻ chi tiết để lập bảng tổng hợp chi tiết, đối chiếu với sổ Cái hoặc các nhật ký chứng từ và bảng kê có liên quan.

9. Trình tự ghi sổ trong hình thức kế toán nhật ký chứng từ như sau :

a) Sơ đồ trình tự ghi sổ :



Giải thích :

- Ghi hàng ngày
- Ghi cuối tháng
- Đối chiếu, kiểm tra

b) Trình tự ghi sổ :

- Từ chứng từ gốc hàng ngày, ghi trực tiếp vào nhật ký chứng từ hoặc bảng kê theo quy định ở điểm 5 và điều 4 trên đây. Trong trường hợp ghi hàng ngày vào bảng kê, thì cuối tháng phải chuyển tổng số các bảng kê vào nhật ký chứng từ.

Đối với các loại chi phí (sản xuất hoặc lưu thông) phát sinh nhiều lần hoặc mang tính chất phân bổ như đã nói ở điểm 6 trên đây, các chứng từ gốc trước hết được tập hợp và phân loại trong các bảng phân bổ; sau đó lấy tổng số các bảng này chuyển vào các bảng kê hoặc nhật ký chứng từ có liên quan.

- Cuối tháng tổng số các các nhật ký chứng từ được ghi trực tiếp vào sổ Cái một lần.

- Số liệu tổng cộng ở sổ Cái và một số chỉ tiêu chi tiết trong nhật ký chứng từ, bảng kê và các bảng tổng hợp chi tiết được dùng để lập các báo cáo kế toán.

10. Đối với tất cả chứng từ gốc, trước khi ghi sổ, kế toán viên phải kiểm tra nội dung của chứng từ và nhật ký, hợp pháp và sự chính xác của các số liệu ghi chép tính toán trong chứng từ. Sau khi đã được kiểm tra, mỗi chứng từ phải ghi thêm vào góc bên phải :

Số hiệu đăng ký ...
Bên Có tài khoản ...
Bên Nợ tài khoản ...
Nhật ký chứng từ số ...
Số thứ tự đóng ghi trong HKGT ... (đóng)

Số hiệu đăng ký là số thứ tự do phòng kế toán đánh riêng cho từng loại chứng từ (như hóa đơn...) từ đây người ghi chép số này có thể đánh liên tục trong một năm. Đối với các chứng từ do nội bộ đơn vị phát hành, thì không cần thiết phải ghi số hiệu đăng ký, mà lấy số hiệu của chứng từ làm số hiệu đăng ký.

11. Ai phụ trách nhật ký chứng từ và bảng kê nào, thì phải chịu trách nhiệm gọi tắt về nội dung ghi chép các nhật ký chứng từ và bảng kê ấy về phải hoàn thành các việc ghi chép đúng thời hạn do kế toán trưởng quy định.

Cuối tháng phải kiểm tra số các nhật ký chứng từ và bảng kê, phải ghi rõ ngày, tháng làm xong và ký tên vào chỗ quy định trên sổ.

Trước khi ghi chuyển số liệu từ nhật ký chứng từ vào sổ Cái, kế toán trưởng phải ký duyệt trên nhật ký chứng từ để phải chuyển. Kế toán trưởng phải kiểm tra sự chính xác, đầy đủ và hợp pháp của việc ghi chép trên các nhật ký chứng từ, đảm bảo đối chiếu khớp đúng các số liệu tổng hợp và chi tiết, kiểm tra việc hoàn thành các nhật ký chứng từ theo đúng thời gian quy định.

12. Dựa trên chế độ sổ sách nhật ký chứng từ của ngành công nghiệp bán hàng theo quyết định số 425-TC/CHK ngày 14/12/1970 của Bộ Tài chính, nay quy định số lượng nhật ký chứng từ và bảng kê áp dụng cho các ngành kinh tế quốc dân như sau :

10 nhật ký chứng từ, đánh số từ 1 đến 10
15 bảng kê, đánh số từ 1 đến 15

13. Số hiệu và nội dung ghi chép của các nhật ký chứng từ và bảng kê thống nhất quy định cho mỗi loại nghiệp vụ như sau :

a) Kế toán các nghiệp vụ vốn bằng tiền và tiền vay ngân hàng :

- Nhật ký chứng từ số 1 (bên Có) và bảng kê số 1 (bên Nợ), phản ánh tình hình chi và thu quỹ tiền mặt, tài khoản 50 "Quỹ tiền mặt";

- Nhật ký chứng từ số 2 (bên Có) và bảng kê số 2 (bên Nợ), phản ánh tình hình biến động quỹ tiền gửi ngân hàng thuộc vốn lưu động, tài khoản 51 "Tiền gửi ngân hàng";

- Nhật ký chứng từ số 3 (bên Có) phản ánh tình hình biến động tiền gửi ngân hàng khác của 3 tài khoản : tài khoản 54 "Tiền gửi ngân hàng về vốn đầu tư xây dựng cơ bản", tài khoản 55 "Tiền gửi ngân hàng khác", tài khoản 56 "Vốn bằng tiền khác";

- Nhật ký chứng từ số 4 phản ánh các nghiệp vụ tiền vay ngân hàng của 2 tài khoản : tài khoản 93 "Vay ngắn hạn ngân hàng", tài khoản 94 "Vay dài hạn ngân hàng".

b) Kế toán các nghiệp vụ thanh toán với người bán, người nhận tiền và người nhận tạm ứng :

- Nhật ký chứng từ số 5, phần ảnh tình hình thanh toán với người bán và người nhận thầu (tài khoản 60 "Thanh toán với người bán và người nhận thầu") và theo dõi các nghiệp vụ mua vật liệu.

Trường hợp thanh toán với người bán theo phương thức thanh toán có kế hoạch được phản ánh trong bảng kê số 3 "Thanh toán với người bán theo kế hoạch".

Để tính giá thành thực tế của vật liệu phải mở bảng kê số 4 "Tính giá thành vật liệu".

- Nhật ký chứng từ số 6 phần ảnh tình hình tạm ứng và thanh toán tạm ứng với đơn vị công nhân viên trong đơn vị (tài khoản 70 "Thanh toán với người nhận tạm ứng").

c) Kế toán các nghiệp vụ về chi phí sản xuất, kinh doanh:

- Nhật ký chứng từ số 7 phần ảnh các tài khoản có liên quan đến chi phí sản xuất, kinh doanh và tính giá thành sản phẩm, lao vụ.

- Số lượng và nội dung của các bảng kê trong phần này phụ thuộc vào yêu cầu kế toán chi tiết và đặc điểm sản xuất, kinh doanh của từng ngành, nhưng số liệu của các bảng kê chỉ giới hạn trong phạm vi từ số 5 đến số 9. Để đảm bảo sự thống nhất trong các ngành, lấy số liệu của bảng kê của số 5 trong nhật ký chứng từ áp dụng cho ngành công nghiệp trong phần này làm mẫu. Ngành nạo dùng số lượng bảng kê nhiều hơn so với quy định, phải đính kèm số kỳ hiện phụ thêm (1a, 1b, 1c, ...). Ngành nạo dùng số lượng bảng kê ít hơn so với quy định ghi bảng kê nào không dùng đến phải bỏ trống số hiệu của bảng kê đó (không được đánh số liên tục theo thứ tự riêng).

d) Kế toán các nghiệp vụ về thành phẩm, hàng hóa, tiêu thụ và thanh toán với người mua hoặc người cho thầu:

- Nhật ký chứng từ số 8 phần ảnh các nghiệp vụ về xuất kho thành phẩm, hàng hóa gửi đi, công tác và lao vụ hoàn thành, tiêu thụ sản phẩm, vật tư hàng hóa và thanh toán với người mua hoặc người cho thầu.

- Bảng kê số 10 phần ảnh chi tiết các nghiệp vụ về thành phẩm, vật tư hàng hóa gửi đi và tiêu thụ.

- Bảng kê số 11 phần ảnh chi tiết tình hình thanh toán với người mua và người cho thầu, lao vụ của các nghiệp vụ thanh toán với người mua theo phương thức thanh toán có kế hoạch.

e) Kế toán các nghiệp vụ về vốn cơ bản (vốn cố định và vốn lưu động), tài sản cố định và khấu hao tài sản cố định:

- Nhật ký chứng từ số 9 phần ảnh tình hình biến động của vốn cơ bản, tài sản cố định và khấu hao tài sản cố định. Trong nhật ký chứng từ này phản ánh số phát sinh bên Có của tài khoản 01 "Tài sản cố định", tài khoản 02 "Khấu hao tài sản cố định", tài khoản 85 "Vốn cơ bản" (hoặc tài khoản 77 "Thanh toán trong nội bộ ngành và phân phối lại vốn") - đối với xí nghiệp phụ thuộc) và các chi tiêu chi tiết về tình hình tăng giảm khấu hao và tăng giảm vốn cơ bản.

g) Kế toán các nghiệp vụ về kết quả tài vụ và vốn trích:

- Nhật ký chứng từ số 10 phần ảnh tình hình vốn trích và lãi lỗ. Trong nhật ký chứng từ này phản ánh số phát sinh bên Có

tài khoản 80 "vốn trích", tài khoản 99 "lãi, lỗ" và các chi tiêu chi tiết về lãi, lỗ về vốn trích.

h) Kế toán các nghiệp vụ xây dựng cơ bản:

Các xí nghiệp, tổ chức sản xuất, kinh doanh có tiến hành đầu tư xây dựng cơ bản phản ánh các nghiệp vụ này trong nhật ký chứng từ số 12, ghi Có các tài khoản 07 "Vật liệu xây dựng và thiết bị cần lắp", tài khoản 27 "Chi phí gián tiếp", tài khoản 34 "Chi phí xây dựng cơ bản và mua sắm tài sản cố định", tài khoản 35 "Công tác xây dựng cơ bản, mua sắm tài sản cố định đã hoàn thành đưa vào sử dụng và các khoản chi phí chờ duyệt..." và tài khoản 95 "cấp phát xây dựng cơ bản".

Kế toán chi tiết vốn đầu tư xây dựng cơ bản chưa hoàn thành phản ánh theo hàng mục công trình trong bảng kê số 14. Kế toán chi tiết vốn đầu tư xây dựng cơ bản đã hoàn thành phản ánh theo thành phần vốn đầu tư trong bảng kê số 15.

i) Kế toán các nghiệp vụ khác:

Tất cả các nghiệp vụ còn lại chưa phản ánh trong các nhật ký chứng từ nói ở phần trên, được phản ánh trong nhật ký chứng từ dùng chung: số 11 mỗi tài khoản được mở một nhật ký chứng từ số 11. Số lượng tài khoản phản ánh trong nhật ký chứng từ này phụ thuộc vào đặc điểm sản xuất, kinh doanh của từng ngành.

Kế toán chi tiết các khoản phải thu phải trả (tài khoản 76) và các khoản thanh toán bởi thương vật chất (tài khoản 75) được phản ánh trong hai bảng kê sau đây:

- Bảng kê số 12, theo dõi tình hình thanh toán với công nhân viên chưa nhận lương khi phát lương (tài khoản 76.1);

- Bảng kê số 13, theo dõi thanh toán các khoản phải thu, phải trả (tiếp khoản 76.2) và các khoản thanh toán bởi thương vật chất (tài khoản 75).

Ngày ký chứng từ số 11 và bảng kê số 12, số 13 sử dụng thống nhất cho các ngành theo mẫu quy định cho ngành công nghiệp.

NHỮNG QUY ĐỊNH VỀ CÁCH THỨC SỬ CHỮ SAI SÓT VÀ BẢO QUẢN,

LƯU TỰ

14. Cách thức sử dụng chữ sai sót trong hình thức kế toán nhật ký chứng từ quy định như sau:

- Những sai sót phát hiện trước khi cộng nhật ký chứng từ được sửa chữa theo phương pháp coi chính: gạch bỏ số ghi sai bằng mực đỏ và trên chỗ ghi sai ghi những con số hoặc chữ đúng bằng mực thường.

- Những sai sót phát hiện sau khi đã cộng nhật ký chứng từ nhưng trước khi ghi vào sổ Cái không được sửa chữa như trên mà phải ghi điều chỉnh dưới dòng số liệu tổng cộng của nhật ký chứng từ (điều chỉnh tăng/giảm, điều chỉnh giảm/giảm), sau đó xác định tổng số đúng của nhật ký chứng từ.

- Những sai sót phát hiện sau khi đã ghi sổ Cái thì không được sửa chữa trên nhật ký chứng từ, mà phải lập một chứng từ kế toán bổ sung làm căn cứ ghi một dòng riêng vào sổ Cái.

- Những sai sót phát hiện trong kỳ này nhưng lại thuộc về hoạt động của kỳ trước thì phải làm bút toán bổ sung để ghi vào nhật ký chứng từ của kỳ này (bổ sung tăng : ghi đen, bổ sung giảm : ghi đỏ).

Mọi trường hợp sửa chữa sai sót nội trên đều phải có chữ ký của người chịu trách nhiệm sửa chữa. Trường hợp sửa chữa trên sổ Cái phải có chữ ký xác nhận của kế toán trưởng tại chỗ sửa chữa.

15. Việc tổ chức báo quản chứng từ và sổ sách kế toán trong hình thức kế toán nhật ký chứng từ, trước hết, phải bảo đảm những nguyên tắc chung về công tác quản lý giấy tờ và công tác lưu trữ do Nhà nước quy định, đồng thời phải theo những quy định cụ thể dưới đây :

- Phải báo quản chứng từ gốc riêng, các sổ sách kế toán riêng.

- Cuối tháng tất cả chứng từ gốc có liên quan đến nhật ký chứng từ báo thì do người giữ nhật ký chứng từ tổ sắp xếp đóng thành từng tập và báo quản riêng biệt. Riêng các chứng từ gốc về tiền mặt và tiền gửi ngân hàng thì báo quản chung với nhật ký chứng từ và băng kế.

- Trong mỗi tập, chứng từ phải được sắp xếp theo số thứ tự đúng ghi trong nhật ký chứng từ hoặc băng kế. Trường hợp trên nhật ký chứng từ và băng kế không có số thứ tự đúng, thì các chứng từ được sắp xếp thứ tự số đúng kỳ. Ở mỗi tập chứng từ phải có nhãn đề ngoài, ghi rõ : số hiệu nhật ký chứng từ hoặc băng kế, số lượng chứng từ (từ số ... đến số ...), tháng, năm.

- Các tập chứng từ gốc phải xếp theo thứ tự các số hiệu của nhật ký chứng từ và băng kế trong các cặp hồ sơ đúng để báo quản chung từ. Ở mỗi cặp hồ sơ phải có nhãn đề ngoài, ghi rõ : tên cơ quan, xí nghiệp, tên và số thứ tự của cặp hồ sơ, số hiệu của nhật ký chứng từ và băng kế, tháng, năm.

- Nhật ký chứng từ của tháng nào được báo quản về cặp hồ sơ nhật ký chứng từ của tháng đó. Trong cặp, nhật ký chứng từ được sắp xếp theo thứ tự số ký hiệu của nhật ký chứng từ. Ngoài cặp hồ sơ lưu trữ nhật ký chứng từ phải ghi rõ tên đơn vị, xí nghiệp, tên và số thứ tự của cặp hồ sơ, tháng, năm.

- Các băng kế của nhật ký chứng từ gốc phải báo quản cùng với nhật ký chứng từ gốc. Trường hợp nhật ký chứng từ có nhiều băng kế, thì các băng kế phải được sắp xếp theo thứ tự số ký hiệu.

- Các băng phân bổ, tờ kê quá tiết được báo quản cùng với các nhật ký chứng từ và băng kế có liên quan.

- Đối với những nhật ký chứng từ và băng kế dùng để theo dõi các nghiệp vụ thanh toán trong nhiều tháng, thì người chịu trách nhiệm ghi chép nhật ký chứng từ và băng kế đó có thể tạm giữ, trọng thời gian cần thiết cho việc theo dõi. Sau thời gian đó phải đưa vào hồ sơ lưu trữ chung theo quy định ở trên.

- IV -

ĐIỀU KHOẢN THI HÀNH

16. Căn cứ vào những điều quy định thống nhất trong thông tư này, các Bộ, các Tổng cục chịu trách nhiệm xây dựng những quy định cụ thể thích hợp với đặc điểm của ngành mình và ban hành sau khi được Bộ Tài chính đồng ý.

Những quy định của các Bộ và Tổng cục chịu quản thuộc ngành kinh tế quốc dân nào được áp dụng cho các xí nghiệp địa phương thuộc ngành kinh tế quốc dân ấy.

17. Mọi sự thay đổi về nguyên tắc, mẫu số, nội dung và phương pháp ghi chép sổ sách theo hình thức kế toán nhật ký chứng từ phải được sự đồng ý của Bộ Tài chính.

18. Việc áp dụng chế độ sổ sách theo hình thức kế toán nhật ký chứng từ trong từng ngành kinh tế quốc dân ở trung ương và địa phương sẽ tiến hành từng bước trong từng xí nghiệp do cơ quan chủ quản xí nghiệp quyết định./.

KY/BỘ TRƯỞNG BỘ TÀI CHÍNH
Thư trưởng

Trịnh Văn Bình
Trịnh Văn Bình

TRUNG TÂM LƯU TRỮ QUỐC GIA
BẢN SẠO

Appendix 7 – Decision No. 425 TC/CDKT dated 14 December 1970 by the MoF on the unified accounting system (in Vietnamese) (Archival record 7, 1970)

<p>BỘ TÀI CHÍNH VIỆT NAM DÂN CHỦ CÔNG HOÀ Độc lập Tự do Hạnh phúc</p> <p>Số : 425 -TC/CDKT</p> <p>BỘ THƯỞNG BỒ TÀI CHÍNH</p> <p>Căn cứ Nghị định số 197/CP, ngày 7 tháng 11 năm 1961 quy định nhiệm vụ, quyền hạn và tổ chức bộ máy của Bộ Tài chính;</p> <p>Căn cứ Điều lệ tổ chức kế toán Nhà nước ban hành theo Nghị định số 175/CP, ngày 28 tháng 10 năm 1961,</p> <p>QUYẾT ĐỊNH :</p> <p>Điều 1.- Này ban hành "Hệ thống tài khoản kế toán thống nhất" kèm theo quyết định này, áp dụng chung cho tất cả các đơn vị thuộc các ngành sản xuất và kinh doanh, do trung ương quản lý không phân biệt tính chất và quy mô của đơn vị.</p> <p>Điều 2.- Căn cứ vào hệ thống tài khoản kế toán thống nhất, các Bộ và Tổng cục có trách nhiệm ban hành, sau khi đã được sự đồng ý của Bộ Tài chính, các quy định cụ thể về nội dung và cách thức vận dụng chung, như thời điểm ghi chép thích hợp với tính hình và đặc điểm của từng ngành sản xuất và kinh doanh thuộc Bộ và Tổng cục quản lý.</p> <p>Điều 3.- Các quy định về hệ thống tài khoản trong các chế độ kế toán do Bộ Tài chính ban hành trước đây trái với quyết định này đều bãi bỏ.</p> <p>Điều 4.- Các Ông Chánh Văn phòng và Vụ trưởng Vụ Chế độ kế toán chịu trách nhiệm thi hành quyết định này./.</p> <p>Hà Nội, ngày 14 tháng 12 năm 1970 BỘ THƯỞNG BỒ TÀI CHÍNH Đã ký : Đặng Việt Châu</p> <p>SAO LƯU TL/ BỘ THƯỞNG BỒ TÀI CHÍNH CHÁNH VĂN PHÒNG</p> <p><u>Ngô-Quốc-Pho</u></p> <p>TRUNG TÂM LƯU TRỮ QUỐC GIA BẢN SAO</p>	<p>HỆ THỐNG TÀI KHOẢN THỐNG NHẤT ÁP DỤNG CHO CÁC XÍ NGHIỆP QUỐC DOANH THUỘC CÁC NGÀNH KINH TẾ QUỐC DÂN :</p> <table border="1"> <thead> <tr> <th>Tên tài khoản</th> <th>Số hiệu tài khoản</th> <th>Số hiệu và tên tiểu khoản</th> <th>Phạm vi áp dụng</th> </tr> </thead> <tbody> <tr> <td>Loại I.- Tài sản cố định</td> <td></td> <td></td> <td></td> </tr> <tr> <td>1-Tài sản cố định</td> <td>01</td> <td></td> <td>Tất cả các ngành</td> </tr> <tr> <td>2-Khu vực</td> <td>02</td> <td>1-Khu vực công nghiệp</td> <td>nt</td> </tr> <tr> <td>3-Sức chứa lớn</td> <td></td> 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<td></td> <td>3-Thiết bị cần lắp</td> <td></td> </tr> <tr> <td></td> <td></td> <td>4-Vật liệu kho</td> <td></td> </tr> <tr> <td></td> <td></td> <td>5-Vật liệu thuê ngoài chế biến</td> <td></td> </tr> <tr> <td></td> <td></td> <td>6-Phế liệu trong XDGB</td> <td></td> </tr> <tr> <td>7-Phụ tùng thay thế</td> <td>08</td> <td></td> <td>Tất cả các ngành</td> </tr> <tr> <td>8-Sức vật cày và sức vật nuôi béo</td> <td>09</td> <td></td> <td>Các nông trường quốc doanh và các xí nghiệp tổ chức chăn nuôi</td> </tr> <tr> <td>9-Chi phí thu mua và bao quản nguyên liệu, vật liệu</td> <td>11</td> <td></td> <td>Các xí nghiệp có tổ chức thu mua</td> </tr> <tr> <td>10-Vật re tiền mau hỏng</td> <td>12</td> <td>1-Vật re tiền mau hỏng trong kho</td> <td>Tất cả các ngành</td> </tr> <tr> <td></td> <td></td> <td>2-Vật re tiền mau hỏng đang dùng</td> <td></td> </tr> <tr> <td>11-Phân bổ vật re tiền mau hỏng</td> <td>13</td> <td></td> <td>nt</td> </tr> <tr> <td>12-Định giá lại vật tư hàng hóa</td> <td>15</td> 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5-Nguồn liệu	06		nt																																																																																																										
6-Vật liệu xây dựng và thiết bị cần lắp	07	1-Vật liệu xây dựng	Các xí nghiệp xây dựng và các xí nghiệp tiến hành xây dựng cơ bản																																																																																																										
		2-Vật kết cấu																																																																																																											
		3-Thiết bị cần lắp																																																																																																											
		4-Vật liệu kho																																																																																																											
		5-Vật liệu thuê ngoài chế biến																																																																																																											
		6-Phế liệu trong XDGB																																																																																																											
7-Phụ tùng thay thế	08		Tất cả các ngành																																																																																																										
8-Sức vật cày và sức vật nuôi béo	09		Các nông trường quốc doanh và các xí nghiệp tổ chức chăn nuôi																																																																																																										
9-Chi phí thu mua và bao quản nguyên liệu, vật liệu	11		Các xí nghiệp có tổ chức thu mua																																																																																																										
10-Vật re tiền mau hỏng	12	1-Vật re tiền mau hỏng trong kho	Tất cả các ngành																																																																																																										
		2-Vật re tiền mau hỏng đang dùng																																																																																																											
11-Phân bổ vật re tiền mau hỏng	13		nt																																																																																																										
12-Định giá lại vật tư hàng hóa	15		nt																																																																																																										

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Tất cả các ngành
Các XN CN, XDDB và các nông trường quốc doanh
Các XN CN, các nông trường quốc doanh, và các XN có tổ chức phân xưởng
Các XN CN và các nông trường quốc doanh
Các XN XDDB, kho, sát thiết kế, điều tra địa chất, vận tải, bưu điện
Tất cả các ngành
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nt
Các XN XDDB
Các XN thương nghiệp
Tất cả các ngành
Các XN có tiền hình công tác XDDB (đơn vị kiến thiết)
Các XN có tiền hình công tác XDDB (đơn vị kiến thiết)
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Theo mục đích cấp phát
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[illegible]

Appendix 8 – Vietnamese Accounting Standards (VASs)

No.	Standard No.	Year of issuance	Main legal reference	Standard name
1.	VAS 01	2002	Ordinance on Accounting and Statistics 1988	Framework
2.	VAS 02	2001	Ordinance on Accounting and Statistics 1988	Inventories
3.	VAS 03	2001	Ordinance on Accounting and Statistics 1988	Tangible fixed assets
4.	VAS 04	2001	Ordinance on Accounting and Statistics 1988	Intangible fixed assets
5.	VAS 05	2003	Law on Accounting 2003	Investment property
6.	VAS 06	2002	Ordinance on Accounting and Statistics 1988	Assets leasing
7.	VAS 07	2003	Law on Accounting 2003	Accounting for investment in associates
8.	VAS 08	2003	Law on Accounting 2003	Financial reporting of interest in joint ventures
9.	VAS 10	2002	Ordinance on Accounting and Statistics 1988	The effects of changes in foreign exchange rates
10.	VAS 11	2005b	Law on Accounting 2003	Business merger

No.	Standard No.	Year of issuance	Main legal reference	Standard name
11.	VAS 14	2001	Ordinance on Accounting and Statistics 1988	Revenues and other incomes
12.	VAS 15	2002	Ordinance on Accounting and Statistics 1988	Construction contracts
13.	VAS 16	2002	Ordinance on Accounting and Statistics 1988	Borrowing costs
14.	VAS 17	2005a	Law on Accounting 2003	Corporate income taxes
15.	VAS 18	2005b	Law on Accounting 2003	Provisions, assets and potential debts
16.	VAS 19	2005b	Law on Accounting 2003	Insurance contracts
17.	VAS 21	2003	Law on Accounting 2003	Presentation of financial statements
18.	VAS 22	2005a	Law on Accounting 2003	Disclosure in the financial statements
19.	VAS 23	2005a	Law on Accounting 2003	Events after the balance sheet date
20.	VAS 24	2002	Ordinance on Accounting and Statistics 1988	Cash flow statements
21.	VAS 25	2003	Law on Accounting 2003	Consolidated financial statements
22.	VAS 26	2003	Law on Accounting 2003	Related party disclosures

No.	Standard No.	Year of issuance	Main legal reference	Standard name
23.	VAS 27	2005a	Law on Accounting 2003	Interim financial reporting
24.	VAS 28	2005a	Law on Accounting 2003	Segment reporting
25.	VAS 29	2005a	Law on Accounting 2003	Changes in accounting policies
26.	VAS 30	2005b	Law on Accounting 2003	Earning per share

Source: MoF, 2001c, 2002, 2003c, 2005b, 2005e

Appendix 9 – Vietnamese Standards of Auditing

No.	Standard No.	Name of Auditing Standard
1.	Standard No. 200	Objective and general principles governing an audit of financial statements
2.	Standard No. 210	Audit contract
3.	Standard No. 220	Quality control for audit work
4.	Standard No. 230	Documentation
5.	Standard No. 240	Fraud and error
6.	Standard No. 250	Consideration of laws and regulations in an audit of financial statements
7.	Standard No. 260	Discussion important matters arising from the audit with the executives of the audited entity
8.	Standard No. 300	Audit planning
9.	Standard No. 310	Knowledge of the business
10.	Standard No. 320	Audit materiality
11.	Standard No. 330	Audit procedures on the basis of risk assessment
12.	Standard No. 400	Risk assessments and internal control
13.	Standard No. 401	Auditing in a computer information system environment
14.	Standard No. 402	Factors to be considered when auditing an enterprise which uses external services
15.	Standard No. 500	Audit evidence
16.	Standard No. 501	Audit evidences: additional considerations for specific items
17.	Standard No. 505	Information certified from outside
18.	Standard No. 510	Initial engagements: opening balance
19.	Standard No. 520	Analytical procedures
20.	Standard No. 530	Audit sampling and other methods
21.	Standard No. 540	Audit of accounting estimates

No.	Standard No.	Name of Auditing Standard
22.	Standard No. 545	Auditing the determination and present reasonable value
23.	Standard No. 550	Related parties
24.	Standard No. 560	Events after closing balance date
25.	Standard No. 570	Going concern
26.	Standard No. 580	Management representations
27.	Standard No. 600	Using the work of another auditor
28.	Standard No. 610	Considering the work of the internal auditing
29.	Standard No. 620	The use of specialist's materials
30.	Standard No. 700	The auditor's report
31.	Standard No. 710	Comparative information
32.	Standard No. 720	Other information in the audited financial statements
33.	Standard No. 800	The auditor's report on special purpose audit
34.	Standard No. 910	Engagements to review financial statements
35.	Standard No. 920	Engagements to perform agree-upon procedures regarding financial information
36.	Standard No. 930	Service of consolidating financial information
37.	Standard No. 1000	Auditing finalization report of invested capital

Source: MoF, 1999b, 2000c, 2001b, 2003a, 2003b, 2005a, 2005f

Appendix 10 – Summary of conditions for taking the exams for the auditor certificate and the accounting practising certificate for Vietnamese nationals

	Decision No. 59/2004	Decision No. 94/2007 and its amendments in 2009
Accounting practising certificate (or registered accountants)		
Characters	Having a clear resume and maintaining professional ethics	Having a clear resume and maintaining professional ethics
Education	Holding a bachelor degree majoring in finance and accounting	Holding <i>at least</i> a bachelor degree majoring in finance, accounting <i>and auditing</i>
Experience	Having at least five years of work experience on finance and accounting	Having at least five years of work experience on finance and accounting <i>from the year of the undergraduate or postgraduate degree graduation</i>
Other skills	Having an IT certificate at national level B as a minimum	Having an IT certificate at national level B as a minimum
Independent auditor certificate (Vietnamese CPA)		
Characters	Having a clear resume and maintaining professional ethics	Having a clear resume and maintaining professional ethics
Education	Holding a bachelor degree on economics, majoring in finance and banking or accounting and auditing	Holding a bachelor degree majoring in finance, accounting, auditing; or a bachelor degree majoring in economics, <i>business administration, with total</i>

	Decision No. 59/2004	Decision No. 94/2007 and its amendments in 2009
		<i>credit points over 10% of total credits of the entire degree program for the following courses: finance, accounting, auditing, financial analysis, and taxation</i>
Experience	Having at least five years of work experience on finance, accounting and auditing, or being an audit assistant at an auditing firm for at least four years	Having at least five years of work experience on finance and accounting <i>from the year of the degree graduation to the year of application for the exam</i> , or being an audit assistant at an auditing firm for at least four years <i>from the year of the degree graduation to the year of application for the exam</i>
Other skills	Having an IT certificate at national level B as a minimum	Having an IT certificate at national level B as a minimum
	Having a foreign language certificate at national level C as a minimum in one of the following languages: English, Russian, French, Chinese, and Germany	Having a foreign language certificate at national level C as a minimum in one of the five popular following languages: English, Russian, French, Chinese, Germany; <i>or holding a</i>

	Decision No. 59/2004	Decision No. 94/2007 and its amendments in 2009
		<i>bachelor degree in countries where one of these five languages was the medium of teaching</i>
Holders of accounting practising certificate wishing to obtain the independent auditor certificate		
Characters	Having a clear resume and maintaining professional ethics	
Experience	Holding the accounting practitioner license for two years	
Other skills	Having an IT certificate at national level B as a minimum	Having a foreign language certificate at national level C as a minimum in one of the five popular following languages: English, Russian, French, Chinese, Germany; <i>or holding a bachelor degree in countries where one of these five languages was the medium of teaching</i>

Source: MoF, 2004a, 2007b, 2009 (*changes are highlighted in italics by the researcher*)

Appendix 11 – Summary of conditions and exam requirements to foreigners who are holders of a foreign accounting specialist certificate or a foreign CPA

	Decision No. 59/2004	Decision No. 94/2007 and its amendments in 2009
Conditions for taking the exam		
	<p>Foreigners who are holders of an accounting specialist certificate or a CPA certificate of foreign countries recognized by the Vietnamese MoF</p>	<p>Foreigners who are holders of an accounting specialist certificate or a CPA certificate of foreign countries recognized by the Vietnamese MoF <i>and being permitted to practice in their home country.</i></p> <p><i>To gain the recognition from the MoF, the issuing organisations of foreign CPA must be a member of IFAC; the contents of training and exams must be equivalent or higher those listed in Appendix 11 above in the exam for the Vietnamese CPA license</i></p> <p><i>In case the issuing authority of foreign accounting specialist certificate or a CPA certificate was not a professional body, but a</i></p>

	Decision No. 59/2004	Decision No. 94/2007 and its amendments in 2009
		<i>state authority, applicants must be a member of a professional body which is an IFAC member</i>
	Those who have completed the training under the EURO-TAPVIET program in Vietnam in 1998 and are holders of a accounting specialist certificate or CPA certificate of foreign countries recognized by the MoF	Those who have completed the training under the EURO-TAPVIET program in Vietnam in 1998 <i>and met the conditions for taking the exam for the Vietnam CPA licence listed in Appendix 11 above</i>
	Those who have passed the ACCA qualifications exam under the cooperation agreement with the MoF will be exempted from the knowledge tests on two subjects: Vietnamese legislation on economics and foreign investment, and financial and taxation policies	Those who have passed the ACCA qualifications exam under the cooperation agreement with the MoF will be exempted from the knowledge tests on two subjects: Vietnamese legislation on economics and foreign investment and enterprises law, and legislation on taxation and tax management
Exam contents on Vietnamese knowledge		
For the Vietnamese CPA license	Legislation on economics and foreign investment in Vietnam	Legislation on economics and foreign investment <i>and enterprises law</i> in Vietnam

	Decision No. 59/2004	Decision No. 94/2007 and its amendments in 2009
	Financial and taxation policies	Finance and financial management
	Corporate accounting regulations in Vietnam	Legislation on taxation and tax management
	Regulations on audit of financial statements	Legislation on accounting and corporate accounting
	Monetary and credit	Regulations on auditing and services assurance
	Language of the tests are Vietnamese or English	Language of the tests are Vietnamese or English
For accounting practitioner license in Vietnam		<i>The test on Regulations on auditing and services assurance is not required</i>

Source: MoF, 2004a, 2007b, 2009 (*changes are highlighted in italics by the researcher*)

Appendix 12 – VACPA membership requirements

Official member	Associated member	Honorary member
Vietnamese nationals who have been granted an Auditor's Certificate (CPA) are working in auditing firms in Vietnam		
Vietnamese nationals who have been granted an Auditor's Certificate (CPA) are not working in auditing firms in Vietnam but wish to become an official member	Vietnamese nationals who have been granted a Auditor's Certificate (CPA) are not working in auditing firms in Vietnam but wish to become an associated member	
Being a lecturer, research official, official managing accounting and auditing who has good reputation on the VACPA activities who wishes to become an official member		Those who have good reputation and competency in accounting and auditing activities have contributed to establishing the VACPA and being honored by the VACPA
	Vietnamese nationals who have been granted an overseas Auditor's Certificate (CPA) wish to become an associated member	
Eligible for self-nominating or being nominated to hold executive positions in the	Not eligible for self-nominating or being nominated to hold executive	Not eligible for self-nominating or being nominated to hold executive

Official member	Associated member	Honorary member
VACPA and voting rights on VACPA matters	positions in the VACPA and no voting rights on VACPA matters	positions in the VACPA and no voting rights on VACPA matters

Source: MoHA, 2005

**Appendix 13 – Accepted paper for presentation at a parallel session of the 34th
Annual Congress of the European Accounting Association in Rome, Italy, 20 – 22
April 2011**

Accounting Development in Vietnam: the State and accounting regulation

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ACKNOWLEDGEMENT

We wish to acknowledge the participation of the interviewees and the assistance of the National Archival Centre in Vietnam in the preparation of this paper.

**For presentation at the 34th Annual Congress of the European Accounting Association,
Rome, April 2011**

Accounting Development in Vietnam: the State and accounting regulation

Abstract

Purpose – The purpose of this paper is to examine the development of accounting in Vietnam in the French colonial (1858 – 1945) and post-colonial (1945 –1985) periods.

Design/methodology/approach – Using interviews, archival records and secondary resources, the development of accounting in Vietnam is discussed in the context of the changing balance in the relationships of the state, the market and the community.

Findings – The findings indicate that, parallel with different political and economic conditions in two parts of Vietnam, accounting practice in North Vietnam (the DRV) and South Vietnam (RVN) were different. Whilst accounting practice in the former moved towards the model adopted in socialist countries, accounting practice in the latter (RVN) remained influenced by French accounting practice. This situation was interesting in Vietnam before its political independence in 1975, compared to other neighbouring countries in Southeast Asia. Most importantly, the case of Vietnam indicates that the development of accounting was not initiated and influenced by French rule or the American in the colonial and post-colonial periods. The role of the ‘state’ is predominant in the development of accounting in the post-colonial periods in Vietnam.

Research limitations/implications – *The results are based on archival sources and the past experiences of interviewees, who were involved in the policy making processes and played a key role in the development of accounting in Vietnam.*

Practical implications – The significant issues identified in this paper would be of interest to accounting policy makers in Vietnam, and should also be of interest to those researchers interested in the professionalisation of accounting in developing countries.

Originality/value - Vietnamese accounting development is different to that in most other Southeast Asian countries due to the direct involvement of the Vietnamese Communist Party. The Vietnamese experience offers comparative studies with other countries which do not have a colonial heritage, such as China, and with other ex-colonies.

Key words: Vietnam, French colonial influence, post-colonial influence, centrally-planned economy, ASEAN, Vietnamese Communist Party (VCP)

1. Introduction

This paper provides a historical study on the development of accounting in Vietnam in the colonial and post-colonial periods. It considers the changing balance in the relationships of the state, the market and the community, in which the state played an influential role in the development of accounting.

There has been much academic debate and research on the creation of indigenous professions as an essential element of modernization in ASEAN (Association of Southeast Asian Nations) countries, which were colonies of the European and US powers such as the Philippines (Dyball and Vilcarcel, 1999; Dyball, Chua, and Poullaos, 2006; Dyball, Poullaos and Chua, 2007); Malaysia (Susela, 1999; 2010); Brunei Darussalam (Yapa, 1999; 2003); Sri Lanka (Yapa, 2006; 2010); Cambodia (Yapa *et al* 2007; Yapa and Jacobs, 2010); and India (Verma and Gray, 2006; Verma, 2010). A number of theoretical perspectives have been drawn from these studies to understand the historical context and sociology of professions underpinning the development of accounting in those ex-colonies.

Historically, Vietnam was under French colonial rule for more than eighty years, from 1858 to 1945. The country gained independence from the French as a result of the August Revolution in 1945. Subsequent to their defeat at Dien Bien Phu in 1954, the French completely withdrew from the country. Vietnam was then divided into two parts from the 17th parallel at the signing of the General Accord at the Geneva Conference of 1954. North Vietnam was influenced by China and the Soviet Union, whereas South Vietnam was influenced by America from 1954 to 1975. The country was politically unified in April 1975, when the Vietnam War ended. Since its political independence in 1975, the country has undergone fundamental changes in political and economic policies to transform it from a war economy, then a centrally-planned economy, and then to a market-oriented economy (Than and Tan, 1993; Tran-Nam and Pham, 2003). Amongst the many fundamental changes in policies, the change in accounting practice has been one of the major changes in the government's direction since the commencement of the open-door policy and economic renovation in Vietnam in 1986.

Geographically, Vietnam is a country with clear borders and with two large river systems dominating the country, the Red River in the North and the Mekong Delta in the South. The country has a long history and a well-educated population. Currently its population is approximately 85 million, with a 1.2 percent annual population growth rate. The Vietnamese economy has the third highest growth rate in the Asia – Pacific region after China and India

and is the 13th most populous country in the world (Narayan and Godden, 2000; Narayan *et al.*, 2000; UHY, 2008; Vision & Associates, 2009; Respondek, Tran and Nguyen, 2010).

In its Socio-Economic Development Plan 2006 – 2010, Vietnam aims at raising the economy to middle-income status. The classification of the World Bank (WB) of a country moving from “low income” to “lower middle income” is when its per capita gross national income reaches US\$976. In 2008, Vietnam stood at US\$890, according to the WB. The country’s GDP growth is expected to accelerate to 6.5% in 2010 and to 6.8% in 2011 (ADB, 2010).

Given its colonial history, it would be reasonable to expect that the French would have contributed to initiating the establishment and development of the accounting profession in Vietnam. However, this was not the case. The development of accounting in Vietnam in the colonial and post-colonial periods was not established by the French during their domination, but rather by the independent Vietnamese Government to serve the needs of the post-war economy for building socialism. It is, therefore, observed that the case of Vietnam provides a contemporary study on the development of accounting in response to changes resulting from colonial and socialist influences during the colonial and post-colonial periods. This paper aims to examine the regulation of accounting in Vietnam from mid 19th century to 1985, in order to indicate how development differed from Western countries and other ex-colonies. It is argued in this paper that the Vietnamese Communist Party (VCP) played a dominant role in accounting development in the post-colonial periods.

The paper is divided into four parts. Part one discusses the theoretical framework. Part two investigates the French colonial influence on accounting. Part three discusses influences on accounting in the post-colonial Vietnam. Part four concludes the paper.

2. Theoretical framework

This paper draws upon the theoretical framework in Puxty *et al* (1987)’s work which was developed from the work by Streeck and Schmitter (1985). In their study, Puxty *et al* (1987) analysed the role of accountancy in regulating social and economic activities in society, using three organizing principles – the state (hierarchical control), the market (dispersed competition), and the community (spontaneous solidarity) – as the framework to show how these three organizing principles applied to the regulation of accounting and how they existed in relation to one another.

The definitions of the state, the market and the community in Puxty *et al* (1987)’s work are as follows. The state represents the hierarchical control authority, with allocational decisions

made through enforced ‘public policies’ to ultimately back up the state’s monopoly of legitimate coercion. The market operation is seen to maximise the profits of economic entrepreneurs and to satisfy the customers’ expectations. And finally, the community is motivated by the esteem of their followers who sought a sense of belonging to and participating in the group, to satisfy their mutual needs for a shared effective existence and a distinctive collective identity. Streeck and Schmitter (1985)’s work also introduced the fourth factor – the association represented by social order – in contrast to the state, market, and community. However, Puxty *et al* (1987) argued that it was better to understand the properties of an associative model of social order as an outcome of the intersection of state, market and community, rather than as an independent factor.

Following Puxty *et al* (1987)’s approach, the three ideal-typical principles of coordination and allocation have been used in subsequent studies. For example, Seal *et al* (1996) described the overall structural changes of accounting and auditing legislation in the Czech Republic in the post-1989 transition. In addition, Hao (1999) analysed the regulation of financial reporting and accounting and auditing practitioners in China (excluding Hong Kong) in the post-1987 period, when China adopted the policy of openness to the outside world. Also, Yapa and Jacobs (2010) examined the accounting transition in Cambodia in the post-1953 period, when Cambodia was politically independent from French rule.

In this paper, the state represents agencies of the government, with authority to decree the practices that accountants must follow and maintain an enforcement mechanism; the market deals with the regulation of accounting work and services by stakeholders; and the accounting community is the one to which accountants feel they belong, sharing some common identity and values. The following sections will discuss these three guiding principles in the case of Vietnam, taking into account the colonial and socialist influences.

3. The French colonial influence on accounting

During the colonial period from 1858 – 1945, the country was divided by the French into three parts with different political systems – North Vietnam, known as Tonkin, under the French semi-protectorate; Central Vietnam, known as Annam, under the French protectorate; and South Vietnam, known as Cochinchina, under the French colonial regime. These are summarized in table 1:

Table 1

Geographical location	Name under French rule	Political system
North Vietnam (capital in Hanoi)	Tonkin	French semi-protectorate
Central Vietnam (capital in Hue)	Annam	French protectorate
South Vietnam (capital in Saigon)	Cochinchina	French colonial rule

Source: Corfield, 2008

The Vietnamese economy during French rule was not developed in a positive manner. In fact, it was a backward agricultural economy, entirely dependent on the so-called Metropolitan France (Tran, 1996). This was because economic exploitation was the main purpose of the French strategic interests in Asia. It was also the primary purpose of French colonialism to simply achieve economic gains and thus, exploit the natural resources of the colony, to open up new markets for the manufactured goods of the home country, and to provide financial profit to the home country and to its citizens operating in Indochina (Duiker, 1983; Kolko, 1985; McLeod, 1991; Tran, 1996; Tonnesson, 2000).

The administration of the Indochinese Union, which comprised Tonkin, Annam, Cochinchina, Cambodia and Laos, included a governor-general who was appointed from Paris to make policy for the entire region, assisted by resident superiors in each of the five protectoral territories and a governor in Cochinchina. The French held all important services in each of the five Indochinese “countries”, including security, finance, public works, postal services, agriculture, public health, and trade (Nguyen, 1975; Duiker, 1983).

3.1 Education policy under French rule

As the Vietnamese traditionally used Chinese characters, which were written exactly as in China but pronounced in a Vietnamese manner, as the common vehicle for written records (Osborne, 1969), the French found it difficult to find Vietnamese interpreters to assist in its colonial administration. Therefore, they became involved in education, by providing French language training to enable the Vietnamese to become interpreters, clerks and other low-class workers, to the benefit of the colonial administration. Also, quoc-ngu (national script) – which is the Vietnamese language today – was also introduced to Vietnam by the French to eliminate Chinese characters being used by the Vietnamese at the time (Osborne, 1969; Duong, 1978; Vu, 1985; Phan, 1994; Nguyen *et al.*, 1996; Ashwill and Thai, 2005).

An interviewee who worked in one of the Big Four firms in Vietnam and is a senior official of the Vietnam Association of Accountants and Auditors (VAA) confirmed that:

During their rule in Vietnam, the French did not encourage or promote education to the Vietnamese. Their main objective was to only train interpreters to serve the French colonial administration in Vietnam (Interviewee 16).

Thus, despite complete control by the French over education in Vietnam, the high illiteracy of over ninety percent of the population in Vietnam during the French rule resulted from their neglect of the population and the use of education to only meet their colonial needs (Vu, 1985; Short, 1989; Tran, 1996).

3.2 Accounting under French rule

The first Western accounting system – French accounting – was brought into Vietnam in the mid 19th century by the French to support its colonial administration (Adams and Do, 2005). This is consistent with a comment made in an interview with a former senior official of the Ministry of Finance of Vietnam (MoF), who is also a member of the National Assembly of Vietnam:

According to documents of the old Saigon government, the French accounting model had been used since the monarchy of the Republic of France. It was then amended to become the law in 1939 and subsequently applicable in the entire Indochina. It was mainly budget accounting (Interviewee 2).

It is useful to describe the main features and characteristics of the French accounting plan, known as the Plan Comptable Général (PCG), which originated from the so-called 1942 PCG, and seen as supporting national economic planning and development of national statistics (McLeay and Riccaboni, 2000).

The first nation-wide accounting plan in France, known as the PCG, was adopted in 1947 as a result of the work of the Accounting Standardisation Commission (Commission de Normalisation des Comptabilités). It was seen as a relatively simple national accounting code, in response to the national shortage of accountants and the limited capacity in the educational and professional training system for raising the supply and level of accounting skills. This was a concern for the state, given the effect of the shortage of accountants on administration of the expanded public sector and on the management of commercial enterprises receiving state subventions. The state commission created the PCG and determined the institutional structure for standardization and controlled its operation, with

very little involvement from the French accountancy profession. A simple chart of accounts was created with cost accounting codes autonomous from financial accounting codes as a formal dualism. Cost accounting was made optional in the preparation of financial statements, and the format of the profit and loss statement was prescribed (Richard, 1992, 1995; Roberts, 1998; McLeay and Riccaboni, 2000; Parker, 2003).

The PCG was applied in the government sector – that is, state and subsidized enterprises. The characteristics of the French PCG in 1947 included a rational organization of both financial and cost accounting which provided the tools needed to improve company management. It included the introduction of uniform rules of valuation, classification, and presentation; the establishment of a clear terminology to facilitate inter-firm comparisons and improve the quality of the information collected for national accounting purposes; and the classification of expenses by nature and of some assets according to their economic function in the company, to meet the needs of national accounting (Lemarchand and Parker, 1996; McLeay and Riccaboni, 2000; Gaffikin, 2006).

As the French ‘dominated the major positions in the colonial bureaucracy and in commerce’ (DeFronzo, 2007, p. 142), accounting was directly managed and controlled by the French. An interviewee observed that:

During the colonial rule, the bookkeeping and accounting in a majority of French businesses in Vietnam was directly handled by the French, using the French accounting system... To assist them in detailed bookkeeping, the French trained those Vietnamese who worked for them in the company on how to write numbers neatly and tidily to be able to do sums easily and accurately (Interviewee 16).

In addition, as a result of the French colonial exploitation policy, the type of the plantation economy they sought to promote in Indochina at that time did not give rise to accounting issues or to engage the local community with complicated investment choices.

Osborne (1969) elaborated that:

All aspects of regional administration were placed in the hands of French inspectors of native affairs, and henceforth Vietnamese occupied auxiliary positions only. These inspectors, each responsible for about twenty thousand persons, dealt with matters of civil administration such as taxation, rendered notice, and supervised the activities of the Vietnamese employed by the French administration (p. 75).

Taxation was fundamental to colonial rule everywhere (Hopkins, 1999). In North and Central Vietnam, taxes were primarily levied in order to pay for the colonial administration in South Vietnam (Fforde and Vylder, 1996).

Generally, an annual budget was used as a means to control the colonial operations from a distance (Alam *et al*, 2004). By setting up budgets, accounting was used in Vietnam under the French colonial rule to enable them to exercise central control of revenues, tax collection and export earnings and expenditures, as elaborated by Cumings (2004):

Instead of a central colonial budget and financial pump-priming of industry, the French had local budgets for the three regions of Vietnam and financed them through [French] state monopolies of customs, duties, stamps, salt, alcohol and opium (p. 291).

This suggests that the French used accounting records to centrally control revenues and expenditures of the colony, particularly in relation to export activities and tax collection, from a distance, with strict control exercised by the central authorities in France (Bizet, 2002).

Although the first Western accounting system was imported into Vietnam in the 19th century by the French to support the colonial administration, there was little demand for accountants, as accounting work was undertaken by French accountants, rather than locals, to report back to their home jurisdiction. The French language was used to prepare budget reports. Consequently, the role of the Vietnamese was confined, at best to a bookkeeping role under instruction by the French.

A copy of a budget report prepared by the French personnel in the French language which included a general budget report and the budget report for Cochinchina has been found in the archival records of the National Archival Centre of Vietnam as follows:

SITUATION FINANCIERE

DE

L'INDOCHINE

-:-:-:-

ETATS annexés à la lettre N°715-F du 3 Mai 1923.

SERIE I

SERIE I
Etat N° I

BUDGET GENERAL

RELEVÉ des recettes et des dépenses du Budget Général de 1913 à 1923.

ANNÉES	RECETTES		RECETTES totales	DEPENSES		DEPENSES totales	Subventions, contri- butions ou ristournes fournies aux budgets locaux par le Budget Général.
	ordinaires	extraordi- naires		ordinaires	extraordi- naires		
	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres
1913 (Compte actif)	40.585.787,88	89.487,36	40.675.245,34	33.732.778,96	2.827,36	33.735.606,31	2.138.000,00
1914 -	42.022.842,58	902.214,11	42.925.056,69	33.642.894,21	473.764,16	34.117.658,35	2.750.000,00
1915 -	42.122.642,41	2.736.850,90	44.859.493,31	33.367.000,28	7.975.222,13	41.342.222,41	2.421.000,00
1916 -	38.563.996,10	4.263.996,83	42.827.992,93	32.427.792,89	2.471.797,36	34.899.590,25	2.932.612,60
1917 -	42.844.002,76	1.227.122,62	44.071.125,38	32.422.240,33	2.412.612,82	34.834.853,15	2.674.570,00
1918 -	42.344.412,85	24.354.354,35	66.698.767,20	32.160.292,55	12.752.572,75	44.912.865,30	2.012.121,00
1919 -	44.323.287,45	4.216.830,00	48.540.117,45	37.922.654,72	2.224.024,34	40.146.679,06	2.384.024,00
1920 -	57.344.202,72	-	57.344.202,72	49.362.522,47	-	49.362.522,47	2.977.221,00
1921 -	72.172.102,86	1.122.400,00	73.294.502,86	50.522.012,41	1.022.070,01	51.544.082,42	7.822.122,12
1922 -	70.222.012,17	22.077.612,22	92.299.624,39	60.222.472,21	11.422.402,67	71.644.874,88	2.722.400,00
1923 (Budget)	82.224.000,00	22.701.810,00	104.925.810,00	52.024.200,00	12.701.810,00	64.726.010,00	2.197.000,00

- (1) dont 7.072.222,12 prélevées sur les fonds de réserve.
 (2) dont 4.272.222,12 prélevées sur les fonds de réserve et 10.000.000,00: 1° acompte sur les bénéfices du Compte Spécial.
 (3) dont 2.222.122,12 prélevées sur les fonds de réserve et 2.370.000,00: 2° acompte sur les bénéfices du Compte Spécial.

SERIE I
Etat N° 4

O C C H I N C H I N E

RELEVÉ des recettes et des dépenses du Budget local de la Cochinchine de 1913 à 1923.

ANNÉES	RECETTES		RECETTES totales	DEPENSES		DEPENSES totales	Subventions, contri- butions ou ristournes fournies par le Budget général
	ordinaires	extraordi- naires		ordinaires	extraordi- naires		
	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres
1913 (Compte actif)	7.339.474,57	"	7.339.474,57	6.836.080,62	"	6.836.080,62	1.465.000,00
1914 -	8.052.744,23	552.000,00	8.604.744,23	7.569.536,30	521.403,99	8.090.940,29	2.822.000,00
1915 -	7.784.994,83	555.923,07	8.340.917,90	6.739.573,73	479.803,14	7.219.376,87	1.623.000,00
1916 -	8.559.521,82	65.573,77	8.625.095,59	7.422.908,39	65.573,77	7.488.482,16	2.211.800,00
1917 -	8.577.625,17	291.282,06	8.868.907,23	6.798.148,89	281.611,69	7.079.760,58	1.820.570,00
1918 -	8.380.676,79	936.097,00	9.316.773,79	7.462.333,74	890.320,20	8.352.653,94	1.272.610,00
1919 -	8.183.264,53	1.478.725,00	9.662.049,53	7.702.490,08	1.204.674,16	8.907.164,23	942.056,00
1920 -	9.518.940,48	1.630.980,00	11.149.920,48	9.311.308,67	1.136.694,67	10.448.003,34	2.108.537,48
1921 -	13.118.207,19	93.577,72	13.211.784,91	12.065.269,44	88.737,27	12.154.006,71	2.445.772,88
1922 (1) -	13.464.805,78	141.666,45	13.606.472,23	12.898.333,33	141.666,45	13.039.999,78	2.110.440,74
1923 (Budget)	11.827.800,00	552.000,00	12.379.800,00	12.396.800,00	"	12.396.800,00	215.000,00 (2)

- (1) Résultats probables de l'exercice suivant télégramme N°448 du 1er mai 1923 du Gouverneur de la Cochinchine.
 (2) La diminution par rapport à l'exercice précédent provient de ce fait que les travaux de dragage ne sont plus effectués par le Budget de la Cochinchine à l'aide d'une contribution du Budget général, mais directement sur les crédits de ce dernier budget.

Source: Archived records 1, 1923

This is the Report on the Financial Situation of Indochina, which included the General Budget Report for Indochina and the Cochinchina's budget receipts and spending by year, from 1913 to 1923.

With references to Puxty *et al* (1987)'s work, the three principles of social order – the state, market and community – did not have any significance for the colony during the French domination in Vietnam. The Vietnamese state surrendered all of their authority to the French, who controlled all major aspects of the country. The French used budgets to centrally control the colony's operations from France. The market and community for accounting in Vietnam was absent, as there was little demand for Vietnamese accountants and also little need for the French administration to set up and develop indigenous accounting in Vietnam during their rule. The French accountancy profession did not have a tradition of becoming involved in colonial outposts as did the UK-based ACCA. As such, the French influence on accounting in Vietnam during their domination was very limited.

4. Influences on post-colonial accounting in Vietnam

The French withdrew from North Vietnam as a result of the successful August Revolution in 1945. Subsequently, the Democratic Republic of Vietnam (DRV) was declared in September 1945 in North Vietnam by President Ho Chi Minh and the government started to build socialism (Duiker, 1983; Pham, 1991; Tonnesson, 2004; Corfield, 2008).

4.1 Accounting in the war years 1945 – 1954

The economy of the DRV post-1945 was characterized as one of a war economy. During 1945 – 1954, the country's resources were entirely engaged in the war of resistance against the French. Therefore, the main accounting regulation during this period was the Regulation on Revenue and Spending and the General Accounting of the DRV, issued by the Ministry of Finance (MoF), replacing previous accounting regulations issued during the colonial rule, as noted from the archival records of the MoF:

The precursor of the task of drafting accounting regulation belonged to the Director of Affairs of Organisation of National Budget of Ministry of Finance [under the French rule], conducting bookkeeping on the receipt and spending by both on cash and in-kind. In 1948, for the first time, the MoF of Vietnam issued Regulations on the receipts and

payments and General Accounting of the DRV by the Decree No. 1535 VP/TDQ dated 25 September 1948 (Archival records 2, 2007).

A former senior official of the MoF recalled that:

After the August Revolution in 1945, the Revolutionary Government continued using the existing budget accounting model, as the DRV did not have its own accounting system, but then made some minor amendments to enable it to become budget accounting until 1951 (Interviewee 2).

As there was no significant development in the DRV economy during the war years from 1945 – 1954, it is observed that there was no significant development of accounting.

Subsequent to the defeat of the French at Dien Bien Phu and the signing of the General Accord at the Geneva Conference of 1954, which consisted of the most powerful countries including the USA, the Soviet Union, Great Britain and China, France's colonized presence in Vietnam ended. The country was divided into two sovereign states at the Demilitarised Zone on the 17th parallel, with North Vietnam declared as the Democratic Republic of Vietnam (DRV) and South Vietnam proclaimed as the Republic of Vietnam (RVN), with two very different political and economic systems which lasted for 20 years (Nguyen and Pham, 1997; Bui and Nguyen, 2006; Olsen, 2006; DeFronzo, 2007). As a result, there was an existence of two accounting systems in Vietnam between 1954 and 1975: the socialist system in the North, based on the Chinese and Soviet Union models, and the previous French system in the South.

4.2 Accounting in North Vietnam from 1954 – 1975

In developing a socialist state, the DRV started to build a socialist economy, with collective agricultural production as the basis for industrial and infrastructure planning, and with the Vietnam Communist Party (VCP) controlling all economic activities, in the late 1950s. Every single step from the initial stage of goal setting all through the planning and implementing stages was decided and directed by the VCP (Nguyen, 1975; Harvie and Tran, 1997; Bui and Nguyen, 2006).

Subsequent to the liberation from the French in 1954, the State-owned enterprises (SOEs) sector was quickly established by the government by both nationalizing existing private-owned enterprises, mostly medium and large enterprises left behind by the French, and creating new SOEs and establishments (Vu, 2002; Thoburn, 2009).

The development of the DRV was heavily dependent on foreign aid from socialist countries, mostly from China and the Soviet Union, being the two major communist powers. This dependence arose because the DRV economy emerged from the colonial period in an extremely underdeveloped state and with very limited domestic resources on which to base capital accumulation and industrialization (Vu, 1994; Harvie and Tran, 1997; Beresford and Dang, 2000; Bui and Nguyen, 2006).

As its closest neighbour, China was the major source of military and economic aid to the DRV in its war against the French. Therefore, when the DRV was liberated from the French in 1954, the Chinese military and economic aid to the country decreased somewhat (Duiker, 1983). Their involvement in Vietnam was then related to the DRV's economic planning and encouraging the DRV to speed up its collectivization of agriculture using the Chinese economic model. To a lesser extent, the Soviet Union's indirect assistance to Vietnam, through China, was in the form of equipment, officers and advice (Roper, 2000; Olsen, 2006).

In this political and economic context, a former senior official of the MoF recalled that:

Vietnam applied an accounting system based on Chinese experience from 1956 until the end of 1969... In 1950s, China did not have a unified accounting system, but accounting regulation for each industry. There were two industries in Vietnam during that time: heavy industry and light industry ... However, Chinese accounting for heavy industry, such as accounting for heavy industry enterprises, accounting for transportation, and accounting for construction materials, was translated into Vietnamese and entirely adopted by the DRV. Therefore, accounting for enterprises in DRV was mainly an application of industrial accounting of China, using double-entry, which included accounting for heavy industry, accounting for transportation, and accounting for materials (Interviewee 2).

The evidence suggests that industry-based accounting was implemented by the DRV government, which included accounting for the industrial and capital construction sectors, based on the Chinese accounting model. There were separate accounting regulations based on double-entry book-keeping, with different charts of accounts, different accounting records and vouchers, and different accounting and statistical reports (Thanh Tung, 2008).

The DRV State implemented the first Five-Year Plan 1961 – 1965, with its primary objective being to complete the socialist transformation of the economy and to promote rapid development of the industrial and agricultural sector, together with moving from small-scale

to large-scale production. Therefore, the major share of state investment was allocated to this sector and not to other sectors such as light industry (Duiker, 1983; Vo, 1990; Harvie and Tran, 1997). This also helped explain why the DRV State adopted Chinese accounting for heavy industry during this period.

In addition, the former senior official of MoF elaborated the reasons for adopting the Chinese accounting that:

As one of the most powerful countries and given its liberation in 1949, China was ahead of Vietnam in its economic development. China assisted in the construction and development of the economic management mechanism of the DRV after its liberation in 1954. In addition, China helped train Vietnamese officials, including in accounting, in the period of 1949 – 1959. Chinese was also the main foreign language taught in high schools in Vietnam at that time (Interviewee 2).

Therefore, this indicates that the Chinese influenced accounting in Vietnam for about a decade, through the adoption of Chinese industry accounting and the training of Vietnamese personnel on accounting and other specialists with skills which would assist in building a new socialist Vietnam.

During the 1960s and the 1970s, as tensions between Vietnam and China emerged due to the opposing perspectives relating to the relationships with the US, and Vietnam's worries about excessive Chinese influence resulting from geographical and cultural proximities of the two countries, Vietnam became more reliant on the Soviet Union (Raffin, 2008). As a result, the DRV State adopted the Soviet Union model, which was perceived to be the quickest way to develop the then agrarian economy, and centrally managed the economy using the centrally planned mechanism. Accordingly, the economy of the DRV had all the characteristics of Soviet-style centralized planning: collectivized agriculture, government set and administered prices, state enterprises dominated the industrial sector and State control of all foreign trade (Harvie and Tran, 1997; Vu, 2002).

A former senior official of the MoF recalled that:

The [DRV] State unitedly managed and administered the economy by a centrally-planned mechanism, followed Soviet Union management approach, to manage the post-war economy. The economy was based on mass ownership by the whole people and collective ownership (Interviewee 2).

Official statistics indicate that more than 90 percent of the industrial and agricultural sector was under national or collective ownership (Duiker, 1983).

It is noted from the archival records that:

With the assistance of Soviet Union specialists and the contribution of young officials who were trained locally and overseas, we [the State] conducted the improvement of accounting towards unifying accounting, statistics and economic information on the principle of socialist economy, based on Soviet Union accounting model (Archival records 2, 2007).

The former senior official of the MoF confirmed that:

Many Vietnamese officials were sent to study in the Soviet Union. We also invited Soviet Union specialists to work in Vietnam during 1968 – 1970 (Interviewee 2).

The Soviet accounting model was used selectively by the DRV, as noted by another interviewee who is also a former senior official of MoF and a senior official of the VAA:

Vietnam learnt the Soviet Union accounting model because the Soviet Union was the powerful country amongst the socialist countries bloc. However, Vietnam only applied the Soviet Union accounting model in the conditions and development context of the country, not adopted it entirely (Interviewee 3).

Kolko (1985) observed that:

Rich experiences of other countries in general, and the USSR and China in particular, cannot be applied mechanically to Vietnam given its own peculiarities; therefore, in searching for their own distinctive synthesis, the Vietnamese were consciously building their own model (p. 57).

This suggests that the Vietnamese government undertook a conservative approach to learn by itself as its time went on; trying different approaches to see what would work best, and moving gradually. As such, the modifications to the Soviet accounting model for Vietnam aimed to make accounting work simpler and to meet economic management requirements of a young socialist country like Vietnam. The former senior official of MoF explained that:

The Vietnamese accounting used 12 journal vouchers instead of 17 as that of the Soviet Union accounting system. This is because Vietnamese accounting was simpler than that of the Soviet Union (Interviewee 3).

As mentioned earlier, most enterprises were owned by the State, on behalf of the Vietnamese people, the state sector played a predominant role in the economy. Therefore, the state accounting system played a key role in this period. The government was the only user of accounting information. As such, accounting was meant to serve the economic policies of the State by providing the information needed to formulate national economic plans and the feedback to monitor and evaluate the implementation of such plans. Accounting regulations were enacted in economic and financial decisions. In Vietnam, accounting systems for the state and corporate sectors are centrally prescribed by the MoF.

As noted earlier, the Soviet accounting specialists provided their assistance to officials of the Department of Accounting Policy (DAP), an arm of the MoF responsible for accounting policies, on studying and improving the existing accounting system, as reported in the MoF (2001)'s publication:

With the assistance of the Soviet accounting specialists and the contribution of young officials who had been trained overseas and locally, we improved the accounting system towards unification between accounting, statistics and economic information on the principle of socialist economic accounting, based on the Soviet Union accounting model (p. 9).

The first unified chart of accounts applicable to all economic sectors was issued in the Decision No. 425 TC/CDKT dated 14 December 1970 of the MoF. Similar to the Soviet accounting system, the Vietnamese unified chart of accounts was divided into eleven main categories of accounts, three of which related to cost accounting (classes 2, 3 and 4), as follows (Archival records 7, 1970).

Class 1 – Fixed assets

Class 2 – Stocks intended for production (or production reservation)

Class 3 – Production costs

Class 4 – Finished goods and consumption

Class 5 – Cash capital

Class 6 – Accounts payable

Class 7 – Capital reserves

Class 8 – Damage, shortage or surplus of materials pending on being settled

Class 9 – Capital sources

Class 10 – Loans and distributed funds

Class 11 – Financial results

The unified chart of accounts in 1970 required the application of the standardization of the accounting system by every sector and industry in the national economy, by using a standard chart of accounts promulgated by the MoF and applicable to all sectors in the economy.

However, there was no standardization of presentation of financial statements required.

Enterprises were not required to publish their financial statements and the MoF was the main user of the enterprises' financial information. This reflects the characteristics of the socialist system and a Soviet-style centrally-planned economy in which market and community principles, as in the work of Puxty *et al* (1987)'s and Streeck and Schmitter (1985)'s, were disregarded, as the state dominated.

The State's dominant role in the centrally-planned economy of Vietnam was also reflected through its policies for the economy and enterprises, as elaborated by the former senior official of the MoF:

The [DRV] State stipulated the entire operations of an enterprise, including production costs, selling prices, products, markets and senior personnel such as director and chief accountant. This followed Soviet Union economic management model and lasted until 1975, when the country was unified. Accounting was used as a tool of the State in its economic management (Interviewee 2).

The standardization of accounting rules was necessary for the compilation of national accounting statistics and hence, very useful for a country like Vietnam, where the economy was planned and controlled by a centralized government.

The discussion above suggests that the Soviet influence on accounting in Vietnam was through the use of the philosophy of Soviet accounting in respect of accounting and statistic combination, and the provision of accounting expertise to Vietnamese personnel via training programs and technical assistance.

As far as the era of the DRV is concerned, during 1954 – 1975 there was no evidence indicating the existence of Vietnamese accounting and auditing standards. The government's authority and hierarchical control of accounting rules and procedures were implemented through the MoF, and the market and the community in Puxty *et al* (1987)'s study were

absent. The State played a dominant role in economic development and regulating accounting practice. A market for accounting services or an accounting association as a community for accountants did not exist.

In summary, the DRV accounting followed the Chinese accounting model subsequent to its liberation from the French in 1954 for a decade. Due to political conflicts with China, the DRV then followed the Soviet Union accounting model until the unification of the country in 1975.

4.3 Accounting in South Vietnam from 1954 – 1975

Subsequent to the signing of the General Accord at the Geneva Conference of 1954, which divided the country into two parts, the US began its involvement to South Vietnam, also known as the Republic of Vietnam (RVN), by providing military and economic aid, training RVN personnel, and sending US advisors to assist in building the infrastructure for the new government (Chu, 1991; Tran, 1993; Bui and Nguyen, 2006). However, training RVN personnel on accounting was not the US's priorities, as their main interests were political influence through military support.

Whilst the DRV economy relied on foreign aid from socialist countries, mainly from China and the Soviet Union, the RVN economy heavily relied on foreign aid and assistance, mostly from the US, and hence capitalism. However, most of the foreign assistance went to military expenditure and infrastructure development. The RVN economy orientated its resources towards the production of consumer goods and services. The private sector had emerged as the key economic driver during the war years, with small and medium-sized enterprises producing light manufactured goods dominating industry (Nguyen, 1991; Vu, 1994; Harvie and Tran, 1997).

A former senior official of the MoF explained the reasons the Americans did not bring their accounting practice to Vietnam that:

The Americans did not bring their accounting practice to Vietnam in the period prior to 1975, as their main concerns were to strengthen their political and military position in Vietnam. Apart from that, they did not want to change the management practice in the country. Therefore, they only brought modern equipment and machine to Vietnam, not their management mechanism. In addition, a majority of companies operating in the RVN was from Europe so they used the French chart of accounts to report to their home jurisdiction (Interviewee 2).

The evidence suggests that the accounting in the RVN after 1954 remained influenced by French accounting practice.

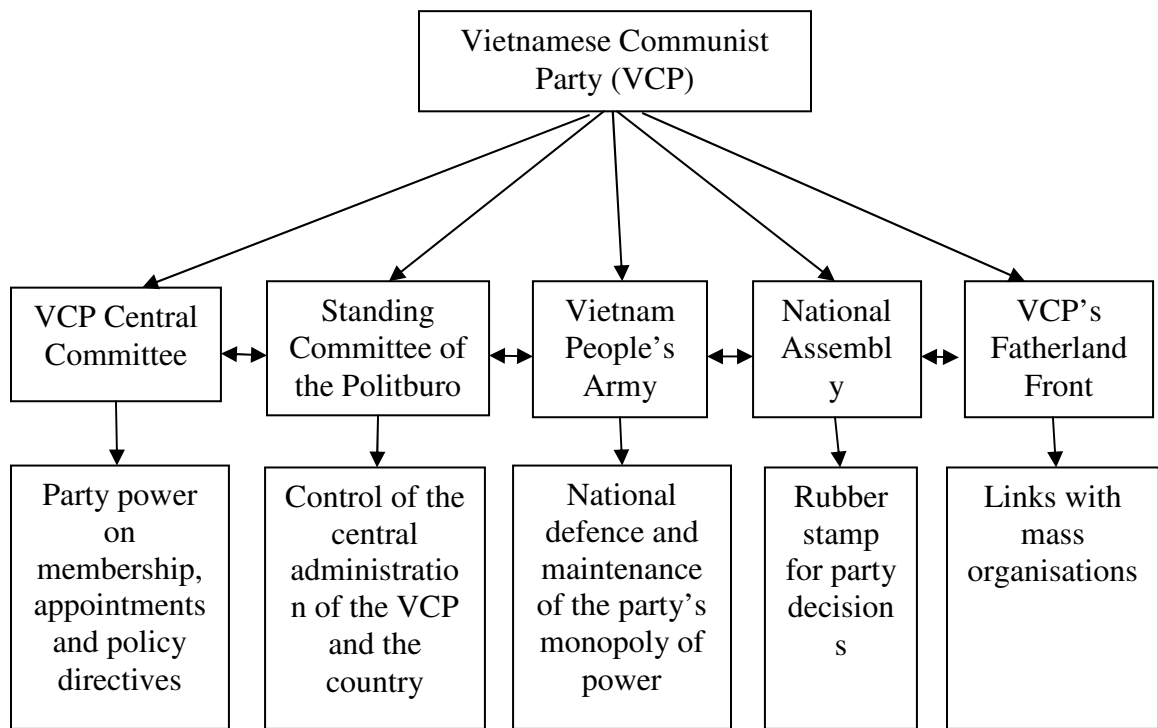
It is interesting to note that, parallel with different political and economic conditions in two parts of the country, accounting practices in North Vietnam (the DRV) and South Vietnam (RVN) were also different. Whilst accounting practices in the DRV moved towards unification based on the accounting models of socialist countries, particularly China and the Soviet Union, led by the MoF, accounting practices in the RVN remained influenced and based on French rules. Thus accounting practices of the DRV and the RVN were influenced by the socialist and capitalist economic environments respectively. This situation was interesting in Vietnam before its political independence in 1975.

Despite the private sector was the key economic driver during the period 1954 – 1975, no law defining the accounting and auditing system for private enterprises was established by the RVN State. The RVN government's authority and hierarchical control was seen to be weak, as it was heavily influenced and directed by the US. Any accounting system or practice in the RVN State was entirely an application of existing French practices. There is no evidence indicating that there was an indigenous accounting system and a market for accounting services existed in RVN during 1954 – 1975.

4.4 Accounting post-independent 1975-1985

The country was politically unified in 1975 and proclaimed as the Socialist Republic of Vietnam (SRV) at the end of the war. With the VCP's commitment on pursuing a fundamentally socialist path for the entire country, the major task was to continue socialist construction in the North and transforming the South's capitalist economy to a socialist economy (Harvie and Tran, 1997).

The then Vietnamese key political institutions included the Central Committee of the VCP, a Standing Committee of the Politburo, the Vietnam People's Army (VPA), the National Assembly, and the VCP's Fatherland Front (Abuza, 2001). The Vietnamese system gives the National Assembly a fundamental role in passing laws, monitoring and reviewing the executive's work in specific areas chosen by the National Assembly (Koh, 2004). The following chart provides a summary of the Vietnamese political institutions and their main responsibilities, with references to the studies of Abuza (2001) and Koh (2004):



Source: Abuza (2001), Koh (2004)

It is observed that these five state political institutions are consolidated powerful forces of the party which rules the country and directs the nation's accounting activities. The VCP controls membership and centrally holds decision-making power, and is the leading influence (Koh, 2004).

Although the Vietnamese political system was significantly more diverse than the regimes of either the Soviet bloc or China, Vietnam followed the development strategy of Soviet industrialization, which emphasized heavy industry, especially energy, as a primary task in its economic development (Gough, 1982; Nguyen and Pham, 1997). Socialist transformation was characterized by collectivisation and nationalization of urban and rural means of production (Dong, 1988; MoF, 2001).

Fforde and Vylder (1996) observed that central planning in Vietnam was "...designed to use a large central bureaucracy to allocate resources directly into what were seen as the priority tasks of national construction" (p. 57). As such, losses of SOEs were subsidised by the state. The subsidisation of production activities was conducted by the supply of inputs at low prices (while paying higher world or domestic prices for these goods), which resulted in budgetary deficits and the increase of foreign debt with the development of national production (Vu,

1995). It is obvious that in the planned economy, resources were allocated by administrative mechanisms rather than by the price mechanism (Griffin, 1998).

With reference to Puxty *et al* (1987)'s study, the SRV government took central planning and administrative direction of the socialist economy; therefore, the market or community were not in existence during this time. Nguyen (2009) noted that finance and accounting functions in SOEs were nominal because of the absence of a market price mechanism. As a result of the introduction of the state ownership of all production means and a centralized economic administration in the centrally-planned economy of the unified SRV, accounting was highly regulated or under direct government control. It was created as a tool to facilitate centralized economic planning and control, aiming at serving directly various administration needs of the government.

Another former senior official of the MoF recalled that:

Subsequent to the country reunification in 1975, the Government brought the unified accounting system used in the North to apply in South Vietnam, and assigned accounting officials from the North to the South to train Southern accounting officials (Interviewee 3).

Therefore, accounting regulations were issued mainly to include some amendments to the unified accounting system in the Decision 425 in 1970, applicable to the entire nation. The regulations and amendments were then issued periodically by the MoF to address new requirements of the country as they arose. For example, the MoF provided guidance on the implementation of the accounting system by sectors such as accounting for state enterprise alliances, accounting for private industrial and trading businesses, accounting for agricultural cooperatives; and by objectives such as accounting for fixed assets, accounting for tools and equipments, accounting for borrowings, cash deposit at bank in foreign currency, and accounting for labour and salaries.

The former senior official of the MoF stated that:

As accounting was used as a tool of the State in its economic management, it was of the compulsory nature. Accounting was used to manage funds, capital, assets and other benefits of the State in the national economy in which consisted of the state sector as the only one sector (Interviewee 2).

However, the implementation of the second Five-Year Plan 1976 – 1980 in developing the national economy was unsuccessful due to the consequences of war and the shortcomings in

management and leadership which led the country into a macroeconomic crisis in the late 1970s (Harvie and Tran, 1997; Bui and Nguyen, 2006). As a result, the government had to reconsider its approach and change its attitude towards economic construction. It did so by officially acknowledging the legitimacy of individual interests alongside those of collectives and society, and encouraging the application of private initiative in producing and circulating commodities not under state control. These initial trends toward reform were further elaborated in the third Five-Year Plan from 1981 – 1985. Under this third Five-Year Plan, private enterprises were given greater latitude to operate independently of the State (Harvie and Tran, 1997).

Consequently, there was a transition from the subsidised economic system to a “three-plan” system for industry, which was launched in January 1981 (Le, 2003), as revealed by the former senior official of MoF:

The economy was shifted from the centrally-planned economic mechanism to the “three-plan” economic system [Plans A, B, C], in which enterprises would comply with the State regulations [Plan A], specialised their production [Plan B], and freely decided on their production outside of their main line [Plan C] (Interviewee 2).

The industrial three-plan system was also described as follows: it allowed SOEs to not only produce goods for the state using state-supplied inputs (plan A), but also procure inputs outside the state plan and sell the output to the state (plan B), and furthermore, procure inputs outside the state plan and sell the surplus output on the parallel market (plan C). As such, the system gave a certain degree of decentralisation of decision-making to enterprises in input and output management. Hence it was regarded as an important step in SOE reform, as it allowed managers in enterprises to have more autonomy (Riedel, 1995; Vu, 1995; Harvie and Tran, 1997; Leung and Riedel, 2001; Van Arkadie and Mallon, 2003), and thus enhanced greatly the market-oriented behaviour within state enterprises (Vylder, 1995).

The evidence suggests that the State entrusted the accountability to directors of enterprises in ensuring the fulfilment of assigned plans, as well as the truthfulness of reporting information. It can be argued that, in a centrally-planned economy, the need for independent audit was minimal. The main objective was that enterprises would only be profitable, and there was no need to disclose financial information of enterprises to the community. As such, there was no market for accounting services. Accounting activities were mainly focused on recording and reporting information for statistical and taxes collection purposes. Also, there is no evidence

indicating that there was an indigenous Vietnamese accounting profession existing in Vietnam before 1986.

Therefore, despite the return of peace, for over a decade the country experienced little or no economic growth because of conservative leadership policies. Nevertheless, the MoF issued accounting regulations to meet the requirements of economic and financial management of the State. Having characteristics of a socialist system and the centrally-planned economy, with references to Puxty *et al*'s (1987) organising principles, the State remained dominant and market and community principles remained disregarded.

5. Conclusion

In their study, Puxty *et al* (1987) drew upon Streeck and Schmitter (1985)'s three organizing principles – the state, the market and the community – to analyse the accounting regulation in four capitalist societies, namely the UK, USA, Sweden and West Germany. Puxty *et al* (1987) also identified the limitations of the Streeck and Schmitter (1985)'s framework on the omission of the increasing significance of the state, the market, and the community.

This paper has considered the case of Vietnam to argue that the state played a predominant role, while the balance of the state, the market and the community was shifting in different periods of time. During the colonial rule 1858 – 1945, the French colonial powers controlled all major aspects of the colony, resulting in the weak state and the absence of market and community for accounting. The first Western accounting system – French accounting – was brought into Vietnam in the mid 19th century by the French to support its colonial administration, the major positions in the colonial bureaucracy and in commerce being dominated by the French. The State surrendered its authority to the French. As such, they directly managed accounting and made little effort to train Vietnamese, who worked in their businesses in Vietnam to handle detailed bookkeeping. The French set up budgets which enabled them to exercise central control of revenues from taxes collection and export earnings and expenditures of the colony's operations. Therefore, the market and community for accounting in Vietnam was absent, as there was little demand for accountants and also little need for the French administration to set up and develop indigenous accounting in Vietnam during their rule. The French accountancy profession did not have a tradition of becoming involved in colonial outposts as did the UK-based ACCA in countries such as Hong Kong and Malaysia. As such, the French influence on accounting in Vietnam during their domination was limited.

During the war years against the French 1945 – 1954, there was no significant development of accounting in the Vietnamese economy, as the country's resources were entirely engaged in the war of resistance against the French.

During 1954 – 1975, the country was divided into two sovereign states with two very different political and economic systems, subsequent to the defeat of the French at Dien Bien Phu and the signing of the General Accord at the Geneva Conference of 1954. The independent DRV state in North Vietnam played an influential role in regulating accounting, based on the Chinese and Soviet accounting models, to serve the socialist building economy. As the State centrally managed the economy, using accounting as a tool, there was no market for accounting services and no accounting community. The RVN government in the South was heavily dependent on the US for military support. However, limited attention was paid to accounting development by neither the RVN government nor the US government; thus French accounting remained in practice during the American rule. The RVN government's authority and hierarchical control was seen to be weak, as it was heavily influenced and directed by the US. There was no evidence indicating that there was an indigenous accounting system, nor a market for accounting services existing in the RVN during 1954 – 1975. It is, therefore, observed that accounting practices of the DRV and the RVN during 1954 – 1975 were influenced by the socialist and capitalist economic environments respectively. This situation was interesting in Vietnam before its political independence in 1975.

During the independent period 1975 – 1985, the VCP's direction was to continue pursuing the socialist path, through the implementation of five-year plans, and with the conservative approach in its leadership policies, it played a dominant role in directing accounting as a tool to serve the centrally-planned and controlled economy. As the government took the path of central planning and administrative direction of the socialist economy, the market or community were not relevant. The SOE sector was the dominant sector in the economy as a result of the introduction of the state ownership of all production means. Accounting in Vietnam was policy-oriented with the government's political and economic policies dominating accounting work. The accounting regulations were changed periodically, corresponding with changes in the government's political and economic policies. In addition, the need for independent audit in the centrally-planned economy was minimal. The main objective to SOEs would only be profitable, and there was no need to disclose their financial information to the community. As such, there was no market for accounting services, and

accounting activities were mainly focused on recording and reporting information for statistical and taxes collection purposes. As a result, an indigenous Vietnamese accounting profession did not exist in Vietnam before 1986.

Nevertheless, a market economy has been introduced to Vietnam and the country has been integrating with the world economy. This suggests that more influence from the market and community are likely to be added in the process of regulating accounting and accountants in the period post-1986, during which the country has adopted the open-door policy and economic renovation program. However, in a Vietnam, where the state plays an influential role in the economic and social aspects of the country, both the market and community forces will remain under the dominance of the state.

The Vietnamese experience offers a model for comparative studies with other countries which do not have a colonial heritage, such as China, and with other ex-colonies. In addition, this paper also suggests that the Puxty *et al* (1987)'s model which has been employed to examine the regulation of accounting in advanced capitalist countries, may be used to examine the accounting regulation in a socialist country such as Vietnam.

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Appendix 14 – Accepted paper for presentation at a parallel session of the 2011 AFAANZ Conference (Accounting and Finance Association of Australia and New Zealand), Darwin, Australia, 3 – 5 July 2011

**Accounting Development in a French Colony
and the Role of the State: The Case of Vietnam**

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**2011 AFAANZ Conference
3 – 5 July 2011
Darwin, Australia**

ACKNOWLEDGEMENT

We wish to acknowledge the participation of the interviewees and the assistance of the National Archival Centre in Vietnam in the preparation of this paper.

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Accounting Development in a French Colony and the Role of the State: The Case of Vietnam

Abstract

Purpose – The purpose of this paper is to examine the development of accounting practice in Vietnam from the French colonial (1858 – 1945) until 1975, when the country was politically independent.

Design/methodology/approach – Using interviews, archival records and secondary resources, the development of accounting in Vietnam is discussed in the context of the changing balance in the relationships of the state, the market and the community.

Findings – The findings indicate that, parallel with different political and economic conditions in two parts of Vietnam, accounting practices in North Vietnam (DRV) and South Vietnam (RVN) were different. Whilst accounting practice in the former moved towards the model adopted in socialist countries, accounting practice in the latter remained influenced by French rules. This situation is arguably unique in Vietnam before its political independence in 1975, compared to other neighbouring countries in Southeast Asia. Most importantly, the case of Vietnam indicates that the development of accounting practice was not initiated and influenced by the French, nor the Americans, in the colonial and post-colonial periods. The role of the ‘state’ is predominant in the development of accounting in the post-colonial period in Vietnam.

Research limitations/implications – The results are based on archival sources and the past experiences of interviewees, who were involved in the policy making and played a key role in the development of accounting in Vietnam.

Practical implications – The significant issues identified would be of interest to accounting policy makers in Vietnam and should also be of interest to those researchers interested in the professionalisation of accounting in developing countries.

Originality/value - Vietnamese accounting development is different to that in most other Southeast Asian countries due to the direct involvement of the Vietnamese Communist Party. The Vietnamese experience offers comparative studies with other countries which do not have a colonial heritage, such as China, and with other ex-colonies.

Key words: Vietnam, French colonial influence, post-colonial influence, centrally-planned economy, ASEAN, Vietnamese Communist Party (VCP)

1. Introduction

This paper provides a historical study on the development of accounting practice in Vietnam in the colonial and post-colonial periods. It considers the changing balance in the relationships of the state, the market and the community, in which the state played an influential role in the development of accounting.

There has been much academic debate and research on the creation of indigenous professions as an essential element of modernization in ASEAN (Association of Southeast Asian Nations) countries, which were colonies of the European and US powers such as the Philippines (Dyball and Valcarcel, 1999; Dyball, Chua, and Poullaos, 2006; Dyball, Poullaos and Chua, 2007); Malaysia (Susela, 1999; 2010); Brunei Darussalam (Yapa, 1999, 2003); Sri Lanka (Yapa, 2006; 2010); Cambodia (Yapa *et al.* 2007; Yapa and Jacobs, 2010); and India (Verma and Gray, 2006; Verma, 2010). A number of theoretical perspectives have been drawn from these studies to understand the historical context and sociology of professions underpinning the development of accounting in those ex-colonies.

Historically, before the French, bookkeepers in Vietnam relied on the Chinese abacus and there were limited or no financial records or controls. Vietnam was under French colonial rule for more than eighty years, from 1858 to 1945. The country gained independence from the French as a result of the August Revolution in 1945¹. Subsequent to their defeat at Dien Bien Phu in 1954, the French completely withdrew from the country. Vietnam was then divided into two from the 17th parallel at the signing of the General Accord at the Geneva Conference of 1954. North Vietnam was influenced by China and the Soviet Union, whereas South Vietnam was influenced by the US from 1954 to 1975. The country was politically unified in April 1975 at the end of the war. Since its political independence in 1975, the country has undergone fundamental changes in political and economic policies to transform it from a war economy, to a centrally-planned economy, and then to a market-oriented economy (Than and Tan, 1993; Tran-Nam and Pham, 2003). Amongst the many fundamental changes in policies, the change in accounting practice has been one of the major changes in the government's direction since the commencement of the open-door policy and economic renovation (Doi Moi) in Vietnam in 1986.

Geographically, Vietnam is a country with clear borders and with two large river systems dominating the country, the Red River in the North and the Mekong Delta in the South. The country has a long history and a well-educated population. Currently its population is approximately 85 million, with a 1.2 percent annual population growth rate. The Vietnamese

economy has the third highest growth rate in the Asia – Pacific region after China and India and is the 13th most populous country in the world (Narayan and Godden, 2000; Narayan *et al.*, 2000; Respondek, Tran and Nguyen, 2010).

In its Socio-Economic Development Plan 2006 – 2010, Vietnam aims at raising the economy to middle-income status. The classification of the World Bank (WB) of a country moving from “low income” to “lower middle income” is when its per capita gross national income reaches US\$976. In 2008, Vietnam stood at US\$890, according to the WB. The country’s GDP growth is expected to accelerate to 6.5% in 2010 and to 6.8% in 2011 (ADB, 2010).

Given its colonial history, it would be reasonable to expect that the French would have contributed to initiating the establishment and development of the accounting profession in Vietnam. However, this was not the case. The development of accounting in Vietnam in the colonial and post-colonial periods was not established by the French during their domination, but rather by the independent Vietnamese Government to serve the needs of the post-war economy for building socialism. It is, therefore, observed that the case of Vietnam provides a contemporary study on the development of accounting in response to changes resulting from colonial and socialist influences during the colonial and post-colonial periods. This paper aims to examine the regulation of accounting in Vietnam from the mid 19th century to 1975, in order to indicate how development differed from Western countries and other ex-colonies. It is argued in this paper that the Vietnamese Communist Party (VCP) played a dominant role in accounting development in the post-colonial period.

The paper is divided into four parts. Part one discusses the theoretical framework. Part two investigates the French colonial influence on accounting. Part three discusses influences on accounting in the post-colonial Vietnam. Part four summarises and concludes the paper.

2. Theoretical framework

This paper draws upon the theoretical framework in Puxty *et al.* (1987)’s work, which was developed from the work by Streeck and Schmitter (1985). In their study, Puxty *et al.* (1987) analysed the role of accountancy in regulating social and economic activities in society, using three organizing principles – the state (hierarchical control), the market (dispersed competition), and the community (spontaneous solidarity) – as the framework to show how these three organizing principles applied to the regulation of accounting and how they existed in relation to one another.

The definitions of the state, the market and the community in Puxty *et al.* (1987)'s work are as follows. The state represented the hierarchical control authority, with allocational decisions made through enforced 'public policies' to ultimately back up the state's monopoly of legitimate coercion. The market operation was seen to maximise the profits of economic entrepreneurs and to satisfy the customers' expectations. Finally, the community was motivated by the esteem of their followers who sought a sense of belonging to and participation in the group, to satisfy their mutual needs for a shared effective existence and a distinctive collective identity. Streeck and Schmitter (1985)'s work also introduced the fourth factor – the association (or organizational concentration) represented by social order – in contrast to the state, market, and community. However, Puxty *et al.* (1987) argued that it was better to understand the properties of an associative model of social order as an outcome of the intersection of state, market and community, rather than as an independent factor.

Following Puxty *et al.* (1987)'s approach, the three ideal-typical principles of coordination and allocation have been used in subsequent studies. For example, Hao (1999) analysed the regulation of financial reporting and accounting and auditing practitioners in China (excluding Hong Kong) in the post-1987 period, when China adopted the policy of openness to the outside world. In addition, Seal *et al.* (1996) described the overall structural changes of accounting and auditing legislation in the Czech Republic in the post-1989 transition. Also, Yapa and Jacobs (2010) examined the accounting transition in Cambodia in the post-1953 period, when Cambodia was politically independent from French rule.

In this paper, the state represents agencies of the government, with authority to decree the practices that accountants must follow and maintain an enforcement mechanism; the market deals with the regulation of accounting work and services by stakeholders; and the accounting community is the one to which accountants feel they belong, sharing some common identity and values.

The triangulation approach defined by Denzin (1978a, 1978b) and Krefting (1991) is used for data analysis in this study. Data collected from the archival records was validated by semi-structured interviews with key government officials of the Ministry of Finance, and the examination of newspapers and other official reports including academic articles.

The following sections will discuss these three guiding principles in the case of Vietnam, taking into account the colonial and socialist influences.

3. The French colonial influence on accounting

During the colonial period from 1858 – 1945, the country was divided by the French into three parts with different political systems – North Vietnam, known as Tonkin, under the French semi-protectorate; Central Vietnam, known as Annam, under the French protectorate; and South Vietnam, known as Cochinchina, under the French colonial regime (Corfield, 2008).

The Vietnamese economy during French rule was not developed in a positive manner. In fact, it was a backward agricultural economy, entirely dependent on the so-called Metropolitan France (Tran, 1996). This was because economic exploitation was arguably the main purpose of the French strategic interests in Asia. It was also the primary purpose of French colonialism to simply achieve economic gains and thus exploit the natural resources of the colony, to open up new markets for the manufactured goods of the home country, and to provide financial profit to the home country and to its citizens operating in Indochina (Duiker, 1983; Kolko, 1985; McLeod, 1991; Tran, 1996; Tonnesson, 2000).

The administration of the Indochinese Union, which comprised Tonkin, Annam, Cochinchina, Cambodia and Laos, included a governor-general who was appointed from Paris to make policy for the entire region, assisted by resident superiors in each of the five protectoral territories and a governor in Cochinchina. The French held all important services in each of the five Indochinese “countries”, including security, finance, public works, postal services, agriculture, public health and trade (Nguyen, 1975; Duiker, 1983).

3.1 Education policy under French rule

As the Vietnamese traditionally used Chinese characters, which were written exactly as in China but pronounced in a Vietnamese manner, as the common vehicle for written records (Osborne, 1969), the French found it difficult to find Vietnamese interpreters to assist in its colonial administration. As a result, they became involved in education, by providing French language training to enable the Vietnamese to become interpreters, clerks and other low-class workers, to the benefit of the colonial administration. Also, quoc-ngu (national script) – which is the Vietnamese language today – was also introduced to Vietnam by the French to eliminate Chinese characters being used by the Vietnamese at the time (Osborne, 1969; Duong, 1978; Vu, 1985; Phan, 1994; Nguyen *et al.*, 1996; Ashwill and Thai, 2005).

An interviewee who worked in one of the Big Four firms in Vietnam and is a senior official of the Vietnam Association of Accountants and Auditors (VAA) confirmed that:

During their rule in Vietnam, the French did not encourage or promote education to the Vietnamese. Their main objective was to only train interpreters to serve the French colonial administration in Vietnam (Interviewee 16).

Thus, despite complete control by the French over education in Vietnam, the high rate of illiteracy of over ninety percent of the population in Vietnam during French rule resulted from their neglect of the population and the use of education to only meet their colonial needs (Vu, 1985; Short, 1989; Tran, 1996).

3.2 Accounting practice under French rule

The first Western accounting system – French accounting – was brought into Vietnam in the mid 19th century by the French to support their colonial administration (Adams and Do, 2005). By the introduction of the Commercial Code in 1807 – one of the French codes of Napoleon's era – reference to French accounting was made to a balance sheet and a schedule of profit and loss account. The Commercial Code in 1807 was based on the Savary Code issued in 1673 and required all merchants to have the obligation of maintaining accounting books for accounts and a central ledger. However, the code was silent as to how the books and accounts should be maintained (Lemarchand and Parker, 1996; Wittsiepe, 2007). The budget was considered to be one of the French government's major policy documents by the 1860s (California Department of Finance, 1998, <http://www.dof.ca.gov/fisa/bag/history.htm>).

This is consistent with a comment made in an interview with a former senior official of the Ministry of Finance of Vietnam (MoF), who is also a member of the National Assembly of Vietnam:

According to documents of the former Saigon government, the French accounting had been used since the monarchy of the Republic of France. It was then amended to become the law in 1939 and subsequently applicable in the entire Indochina. It was mainly budget accounting (Interviewee 2).

In its publication – the Accounting Magazine – the Vietnam Accounting Association (which later changed its name to Vietnam Association of Accountants and Auditors) consistently noted that:

Prior to 1948, it was the entire application of the French accounting rule as announced by the Nguyen dynasty [in Vietnam] (Vietnam Accounting Association, 2001, p. 6).

As accounting education to the Vietnamese was restricted by the French during their rule as part of their colonial education policy, the evidence suggests that budget accounting was used by the French in Vietnam during 1858 – 1945.

As the French ‘dominated the major positions in the colonial bureaucracy and in commerce’ (DeFronzo, 2007, p. 142), accounting work was directly managed and controlled by the French. An interviewee observed that:

During the colonial rule, bookkeeping and accounting in a majority of French businesses in Vietnam was directly handled by the French, using the French accounting system... To assist them in detailed bookkeeping, the French trained those Vietnamese who worked for them in the company on how to write numbers neatly and tidily to be able to do sums easily and accurately (Interviewee 16).

In addition, as a result of the French colonial exploitation policy, the type of the plantation economy they sought to promote in Indochina at that time did not give rise to accounting issues or to engage the local community with complicated investment choices.

Osborne (1969) elaborated that:

All aspects of regional administration were placed in the hands of French inspectors of native affairs, and henceforth Vietnamese occupied auxiliary positions only. These inspectors, each responsible for about twenty thousand persons, dealt with matters of civil administration such as taxation, rendered notice, and supervised the activities of the Vietnamese employed by the French administration (p. 75).

This is consistent with a note from archival material that reported:

The Sureté was first created in Vietnam by the French about 70 years ago. From the date of its creation until March 1945, all important command positions were held by Frenchmen. Regardless of experience or training, the Vietnamese employees of the Sureté were never considered to be more than auxiliaries... During the period 1918 – 1939, the total strength of the Sureté was increased from about 600 to close to 5,000 people – these figures included all of Indochina. Of the 5,000 personnel, approximately 80% (4,000) were Vietnamese, all of whom were operational or administrative service personnel in the lower ranks. About 7% (350) were French from Metropolitan France. These people held all of the high command positions in the Sureté in all of Indochina (Archival records 29, 1956, pp. 1-3).

Taxation was fundamental to colonial rule everywhere (Hopkins, 1999). In North and Central Vietnam, taxes were primarily levied in order to pay for the colonial administration in South Vietnam (Fforde and Vylder, 1996).

Generally, an annual budget was used as a means to control the colonial operations from a distance (Alam *et al.*, 2004). By setting up budgets, accounting was used in Vietnam under the French colonial rule to enable them to exercise central control of revenues, tax collection and export earnings and expenditures, as elaborated by Cumings (2004):

Instead of a central colonial budget and financial pump-priming of industry, the French had local budgets for the three regions of Vietnam and financed them through [French] state monopolies of customs, duties, stamps, salt, alcohol and opium (p. 291).

This suggests that the French used accounting records to centrally control revenues and expenditures of the colony, particularly in relation to export activities and tax collection, from a distance, with strict control exercised by the central authorities in France (Bizet, 2002).

Therefore, although the first Western accounting system was brought into Vietnam in the mid 19th century by the French to support their colonial administration, there was little demand for accountants, as accounting work was undertaken by French accountants, rather than locals, to report back to their home jurisdiction. This was also for tax purposes, apart from the control from a distance, to enable French companies operating in Vietnam to pay taxes, as noted in an archival record that:

Before 1955, French companies headquartered in France and with operations in Vietnam could pay their taxes in France, and the French government in turn reimbursed the French Government in Vietnam (Archival records 30, 1959, p. 18).

As such, the French language was used to prepare budget reports. Consequently, the role of the Vietnamese was confined, at best, to a bookkeeping role under instruction by the French.

A copy of a budget report prepared by the French personnel in the French language which included a general budget report and the budget report for Cochinchina has been found in the archival records of the National Archival Centre of Vietnam as follows:

SITUATION FINANCIERE

DE

L'INDOCHINE

-:-:-:-

ETATS annexés à la lettre N°715-F du 3 Mai 1923.

SERIE I

SERIE I
Etat N° 1

BUDGET GENERAL

RELEVÉ des recettes et des dépenses du Budget Général de 1913 à 1923.

ANNÉES	RECETTES		RECETTES totales	DEPENSES		DEPENSES totales	Subventions, contri- butions ou ristournes fournies aux budgets locaux par le Budget Général.
	ordinaires	extraordi- naires		ordinaires	extraordi- naires		
	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres
1913 (Compte actif)	40.582.757,85	82.467,36	40.675.245,34	53.732.778,85	2.667,36	53.735.446,21	2.136.000,00
1914 -	45.022.844,52	902.214,11	45.925.058,63	53.642.294,21	472.764,14	54.115.058,35	2.750.000,00
1915 -	42.122.642,41	2.736.820,20	51.859.462,61	52.387.040,22	7.972.822,13	60.359.862,35	2.621.000,00
1916 -	39.362.926,10	4.205.926,53	54.568.852,63	52.427.702,29	5.471.797,34	57.899.500,63	2.622.612,60
1917 -	42.244.003,76	2.227.125,62	52.071.129,38	52.422.240,33	5.412.612,82	57.834.853,15	2.674.570,00
1918 -	42.344.412,25	24.324.324,32	66.668.736,57	52.160.222,55	12.752.572,75	64.912.795,30	2.612.121,00
1919 -	44.222.227,45	4.210.220,00	51.164.447,45	57.922.224,72	5.224.224,34	63.146.449,06	2.322.222,00
1920 -	57.244.222,72	-	57.244.222,72	49.222.222,47	-	49.222.222,47	2.977.221,00
1921 -	72.172.122,22	1.122.400,00	73.294.522,22	52.222.212,41	1.022.270,01	53.244.482,42	7.222.122,12
1922 -	72.222.212,12	22.077.212,22	94.299.424,34	62.222.472,21	11.222.402,27	73.444.874,48	2.722.400,00
1923 (Budget)	52.222.000,00	22.722.210,00	74.944.210,00	52.022.200,00	12.722.210,00	64.744.410,00	2.122.000,00

(1) dont 7.072.222,22 prélevées sur les fonds de réserve.
(2) dont 4.222.222,22 prélevées sur les fonds de réserve et 10.000.000,00: 1° acompte sur les bénéfices du Compte spécial.
(3) dont 2.222.222,22 prélevées sur les fonds de réserve et 2.222.000,00: 2° acompte sur les bénéfices du Compte spécial.

SERIE I
Etat N° 4

COCHINCHINE

RELEVÉ des recettes et des dépenses du Budget local de la Cochinchine de 1913 à 1923.

ANNÉES	RECETTES		RECETTES totales	DEPENSES		DEPENSES totales	Subventions, contri- butions ou ristournes fournies par le Budget général
	ordinaires	extraordi- naires		ordinaires	extraordi- naires		
	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres	Piastres
1913 (Compte actif)	7.332.474,57	"	7.332.474,57	6.836.080,62	"	6.836.080,62	1.466.000,00
1914 -	8.052.744,23	552.000,00	8.604.744,23	7.362.536,30	551.403,92	7.913.940,22	1.822.000,00
1915 -	7.722.924,83	552.923,07	8.275.847,90	6.732.573,73	472.203,14	7.204.776,87	1.822.000,00
1916 -	8.552.521,82	65.573,77	8.618.095,59	7.422.902,39	65.573,77	7.488.476,16	2.211.800,00
1917 -	8.577.625,17	291.222,05	8.868.847,22	6.722.142,89	221.611,69	6.943.754,58	1.822.570,00
1918 -	8.382.272,79	932.097,00	9.314.369,79	7.422.333,74	822.320,20	8.244.653,94	1.272.610,00
1919 -	8.122.224,53	1.472.725,00	9.594.949,53	7.702.420,08	1.204.274,15	8.906.694,23	922.056,00
1920 -	9.512.940,42	1.632.980,00	11.145.920,42	9.311.302,67	1.132.694,57	10.444.000,24	2.102.557,42
1921 -	12.112.207,19	93.577,72	12.205.784,91	12.062.962,44	82.737,27	12.145.700,71	2.442.772,22
1922 (1) -	12.462.202,72	141.666,45	12.603.869,17	12.822.333,33	141.666,45	12.964.000,78	2.112.440,74
1923 (Budget)	12.222.200,00	552.000,00	12.774.200,00	12.322.200,00	"	12.322.200,00	212.000,00 ⁽²⁾

(1) Résultats probables de l'exercice suivant télégramme N°448 du 1er mai 1923 du Gouverneur de la Cochinchine.
(2) La diminution par rapport à l'exercice précédent provient de ce fait que les travaux de dragage ne sont plus effectués par le Budget de la Cochinchine à l'aide d'une contribution du Budget général, mais directement sur les crédits de ce dernier budget.

This is the Report on the Financial Situation of Indochina, which included the General Budget Report for Indochina and the Cochinchina's budget receipts and spending by year, from 1913 to 1923.

With references to Puxty *et al.* (1987)'s work, the three principles of social order – the state, market and community – did not have any significance for the colony during the French domination in Vietnam. The Vietnamese state surrendered all of their authority to the French, who controlled all major aspects of the country. The French used budgets to centrally control the colony's operations from France. The market and community for accounting in Vietnam were absent, as there was little demand for Vietnamese accountants and also little need for the French administration to set up and develop indigenous accounting in Vietnam during their rule. The French accountancy profession did not have a tradition of becoming involved in colonial outposts as did the UK-based Association of Chartered Certified Accountants (ACCA). As such, the French influence on accounting in Vietnam during their domination was very limited.

4. Influences on post-colonial accounting in Vietnam

The French withdrew from North Vietnam as a result of the successful August Revolution in 1945. Subsequently, the Democratic Republic of Vietnam (DRV) was declared in September 1945 in North Vietnam by President Ho Chi Minh and started to build socialism (Duiker, 1983; Tonnesson, 2004; Corfield, 2008).

4.1 Accounting in the war years 1945 – 1954

The economy of the DRV post-1945 was characterized as one of a war economy. During 1945 – 1954, the country's resources were entirely engaged in the war of resistance against the French. Therefore, the main accounting regulation issued during this period was the Regulation on Revenue and Spending and the General Accounting of the DRV, issued by the Ministry of Finance (MoF), replacing previous accounting regulations issued during the colonial rule, as noted from the archival records of the MoF:

The precursor of drafting the accounting regulations belonged to the Director of Affairs of Organisation of National Budget of Ministry of Finance [under the French rule], conducting bookkeeping on the receipt and spending by both on cash and in-kind. In 1948, for the first time, the MoF of Vietnam issued Regulations on the receipts and payments and General Accounting of the DRV by the Decree No. 1535 VP/TDQ dated 25 September 1948 (Archival records 2, 2007, p. 7).

A former senior official of the MoF recalled that:

After the August Revolution in 1945, the Revolutionary Government continued using the existing budget accounting, as the DRV did not have its own accounting system, and made some minor amendments to enable it to become budget accounting until 1951 (Interviewee 2).

In its publication on the anniversary of 45 years of development of the Department of Accounting and Auditing Policy, it is consistently noted by the MoF (2001) that:

In the years of the revolution against the French colonialists, the [DRV] State did not have economic entities apart from some arsenals and small local economic units. Therefore, accounting used mainly to record budget spending and receipt in a very simple form (p. 7).

This is further evidence of budget accounting. As there was no significant development in the DRV economy during the war years from 1945 – 1954, it is observed that there was no significant development of accounting.

Subsequent to the defeat of the French at Dien Bien Phu and the signing of the General Accord at the Geneva Conference of 1954, which consisted of the most powerful countries including the USA, the Soviet Union, Great Britain and China, France's colonized presence in Vietnam ended. The country was divided into two sovereign states at the Demilitarised Zone on the 17th parallel, with North Vietnam declared as the Democratic Republic of Vietnam (DRV) and South Vietnam proclaimed as the Republic of Vietnam (RVN), with two very different political and economic systems which lasted for 20 years (Bui and Nguyen, 2006; Olsen, 2006; DeFronzo, 2007). As a result, there was an existence of two accounting systems in Vietnam between 1954 and 1975: the socialist system in the North, based on the Chinese and Soviet Union models, and the previous French system in the South (Nguyen and Pham, 1997).

4.2 Accounting in North Vietnam from 1954 – 1975

In developing a socialist state, the DRV started to build a socialist economy, with collective agricultural production as the basis for industrial and infrastructure planning, and with the Vietnamese Communist Party (VCP) controlling all economic activities, in the 1950s. Every single step from the initial stage of goal setting all through the planning and implementing stages was decided and directed by the VCP (Nguyen, 1975; Harvie and Tran, 1997; Bui and Nguyen, 2006).

Subsequent to the liberation from the French in 1954, the State-owned enterprises (SOEs) sector was quickly established by the government by both nationalizing the existing private-owned enterprises, mostly medium and large enterprises left behind by the French, and creating new SOEs and establishments (Vu, 2002; Thoburn, 2009). This was consistently noted in an archival material that:

After the liberation, the new government in North Vietnam took over economic units left behind by French colonialists and established enterprises and economic units of the State of DRV, gradually forming the state economic sector system which played an increasingly important role in the society and economy. The economic activities and the new management required an urgent need for a new accounting system [for the public sector] (Archival records 2, 2007, p. 7).

Kolko (1985) consistently observed that:

The state sector, based on the former French investments, now embraced slightly more than the majority of industry, and artisans in co-ops or working alone made up the bulk of the remainder (p. 70).

The development of the DRV was heavily dependent on foreign aid from socialist countries, mostly from China and the Soviet Union, being the two major communist powers. This dependence arose because the DRV economy emerged from the colonial period in an extremely underdeveloped state and with very limited domestic resources on which to base capital accumulation and industrialization (Vu, 1994; Harvie and Tran, 1997; Beresford and Dang, 2000; Bui and Nguyen, 2006).

As its closest neighbour, China was the major source of military and economic aid to the DRV in its war against the French. Therefore, when the DRV was liberated from the French in 1954, the Chinese military and economic aid to the country decreased somewhat (Duiker, 1983). Their involvement in Vietnam was then related to the DRV's economic planning and encouraging the DRV to speed up its collectivization of agriculture using the Chinese economic model. To a lesser extent, the Soviet Union's indirect assistance to Vietnam, through China, was in the form of equipment, officers and advice (Roper, 2000; Olsen, 2006).

In this political and economic context, a former senior official of the MoF recalled that:

Vietnam applied an accounting system based on Chinese experience from 1956 until the end of 1969... In 1950s, China did not have a unified accounting system, but accounting regulation for each industry. There were two industries in Vietnam during that time:

heavy industry and light industry ... Chinese accounting for heavy industry, such as accounting for heavy industry enterprises, accounting for transportation, and accounting for construction materials, was translated into Vietnamese and entirely adopted by the DRV. Therefore, accounting for enterprises in DRV was mainly an application of industrial accounting of China, using double-entry, which included accounting for heavy industry, accounting for transportation, and accounting for materials (Interviewee 2).

Sharing similar views, another former senior official of the MoF, who is a senior official of the Vietnam Association for Accountants and Auditors (VAA), commented that:

Since North Vietnam was completely liberated [from the French] in 1954, with the assistance of Chinese and Soviet Union specialists, together with the economic restoration and development, the Government issued a range of accounting regulations for each economic sector of the national economy, based on the Chinese accounting model, including budget accounting, (heavy) industry accounting, capital construction accounting, supply and consumption accounting, trade accounting etc. (Interviewee 3).

The evidence suggests that industry-based accounting was implemented by the DRV government, which included accounting for the industrial and capital construction sectors, based on the Chinese accounting model. There were separate accounting regulations based on double-entry book-keeping, with different charts of accounts, different accounting records and vouchers, and different accounting and statistical reports (Thanh Tung, 2008).

The DRV State implemented the first Five-Year Plan 1961 – 1965, with its primary objective being to complete the socialist transformation of the economy and to promote rapid development of the industrial and agricultural sectors, together with moving from small-scale to large-scale production. Therefore, the major share of state investment was allocated to this sector and not to other sectors such as light industry (Duiker, 1983; Vo, 1990; Harvie and Tran, 1997). This also helped explain why the DRV State adopted Chinese accounting for heavy industry during this period.

In addition, the former senior official of MoF elaborated the reasons for adopting the Chinese accounting that:

As one of the most powerful countries and given its liberation in 1949, China was ahead of Vietnam in its economic development. China assisted in the construction and development of the economic management mechanism of the DRV after its liberation in 1954. In addition, China helped train Vietnamese officials, including in accounting,

during 1949 – 1959. Chinese was also the main foreign language taught in high schools in Vietnam at that time (Interviewee 2).

The senior official of the VAA, who is also a former senior official of the MoF, commented that:

The accounting regulations issued in this period had laid a foundation for the birth of an accounting system of the Socialist Republic of Vietnam later on. It assisted the State in setting up a management mechanism for each economic sector in the initial stage of economic restoration, construction and development (Interviewee 3).

Therefore, this indicates that the Chinese influenced accounting in Vietnam for about a decade, through the adoption of Chinese industry accounting and the training of Vietnamese personnel on accounting and other specialists with skills which would assist in building a new socialist Vietnam.

During the 1960s and the 1970s, as tensions between Vietnam and China emerged due to the opposing perspectives relating to the relationships with the US, and Vietnam's worries about excessive Chinese influence resulting from geographical and cultural proximities of the two countries, Vietnam became more reliant on the Soviet Union (Raffin, 2008). As a result, the DRV State adopted the Soviet Union model, which was perceived to be the quickest way to develop the then agrarian economy, and centrally managed the economy using the centrally-planned mechanism. Accordingly, the economy of the DRV had all the characteristics of Soviet-style centralized planning: collectivized agriculture, government set and administered prices, state enterprises dominated the industrial sector and State control of all foreign trade (Harvie and Tran, 1997; Vu, 2002).

A former senior official of the MoF recalled that:

The [DRV] State unitedly managed and administered the economy by the centrally-planned mechanism, followed Soviet Union management approach, to manage the post-war economy. The economy was based on mass ownership by the whole people and collective ownership (Interviewee 2).

Official statistics indicate that more than 90 percent of the industrial and agricultural sector was under national or collective ownership (Duiker, 1983).

It is noted from the archival records that:

With the assistance of Soviet Union specialists and the contribution of young officials who were trained locally and overseas, we [the State] conducted the improvement of accounting towards unifying accounting, statistics and economic information on the principle of socialist economy, based on the Soviet Union accounting model (Archival records 2, 2007, p. 8).

The former senior official of the MoF confirmed that:

Many Vietnamese officials were sent to study in the Soviet Union. We also invited Soviet Union specialists to work in Vietnam during 1968 – 1970 (Interviewee 2).

Another interviewee who worked for one of the Big Four firms in Vietnam consistently elaborated that:

In 1960s, Soviet Union specialists came to Vietnam and introduced a new accounting system, namely the Journal – Voucher system, which was perceived to be more modern than the Chinese accounting system (Interviewee 16).

The DRV government chose to not entirely adopt the Soviet accounting model, as noted by another interviewee who is also a former senior official of MoF and a senior official of the VAA:

Vietnam learnt the Soviet Union accounting model because the Soviet Union was the powerful country amongst the socialist countries bloc. However, Vietnam only applied the Soviet Union accounting model in the conditions and development context of the country, not adopted it entirely (Interviewee 3).

This was agreed by Kolko (1985) that:

Rich experiences of other countries in general, and the USSR and China in particular, cannot be applied mechanically to Vietnam given its own peculiarities; therefore, in searching for their own distinctive synthesis, the Vietnamese were consciously building their own model (p. 57).

An interviewee who worked for one of the Big Four firms in Vietnam also observed that:

Thanks to being the interpreter for Soviet specialists on the Soviet accounting system when they came to Vietnam to help build an accounting system, the senior official of the MoF in Vietnam became very knowledgeable on the Journal – Voucher system in the Soviet accounting, and was regarded an expert on the Soviet accounting system. He

became the Director of Department of Accounting Policy of the MoF later on (Interviewee 16).

This helps explain the State's influential role in the development of accounting in Vietnam. Apart from receiving Soviet specialists' advice and technical assistance, the State appointed an official who was very knowledgeable on the Soviet accounting to be the then Director of Department of Accounting Policy of the MoF to lead the development of the DRV accounting, based on the Soviet accounting system.

In addition, the evidence suggests that the Vietnamese government undertook a conservative approach to learn by itself as time went on; trying different approaches to see what would work best, and moving gradually. As such, the modifications to the Soviet accounting model for Vietnam aimed to make accounting work simpler and to meet economic management requirements of a young socialist country like Vietnam. The former senior official of MoF explained that:

The Vietnamese accounting used 12 journal vouchers instead of 17 as that of the Soviet Union accounting system. This was because Vietnamese accounting was simpler than that of the Soviet Union (Interviewee 3).

Another interviewee made a consistent observation:

The vouchers in the Vietnamese accounting system, based on the Soviet model, consisted of 11 journals and 1 ledger, making it 12 in total (Interviewee 16).

As mentioned earlier, most enterprises were owned by the State, on behalf of the Vietnamese people, the state sector played a predominant role in the economy. Therefore, the state accounting system played a key role in this period. The government was the only user of accounting information. As such, accounting was meant to serve the economic policies of the State, by providing the information needed to formulate national economic plans and the feedback to monitor and evaluate the implementation of such plans. Accounting regulations were enacted in economic and financial decisions. In Vietnam, accounting systems for the state and non-state sectors are centrally prescribed by the MoF.

As noted earlier, the Soviet accounting specialists provided their assistance to officials of the Department of Accounting Policy (DAP), an arm of the MoF responsible for accounting policies, on studying and improving the existing accounting system, as reported in the MoF (2001)'s publication:

With the assistance of the Soviet accounting specialists and the contribution of young officials who had been trained overseas and locally, we have improved the accounting system towards unification between accounting, statistics and economic information on the principle of socialist economic accounting, based on the Soviet Union accounting model (p. 9).

The first unified chart of accounts applicable to all economic sectors was issued in the Decision No. 425 TC/CDKT dated 14 December 1970 of the MoF. Similar to the Soviet accounting system, the Vietnamese unified chart of accounts was divided into eleven main categories of accounts, three of which related to cost accounting (classes 2, 3 and 4), as follows (Archival records 7, 1970).

Class 1 – Fixed assets

Class 2 – Stocks intended for production (or production reservation)

Class 3 – Production costs

Class 4 – Finished goods and consumption

Class 5 – Cash capital

Class 6 – Accounts payable

Class 7 – Capital reserves

Class 8 – Damage, shortage or surplus of materials pending on being settled

Class 9 – Capital sources

Class 10 – Loans and distributed funds

Class 11 – Financial results

The unified chart of accounts in 1970 required the application of the standardization of the accounting system by every sector and industry in the national economy, by using a standard chart of accounts promulgated by the MoF and applicable to all sectors in the economy.

However, there was no standardization of presentation of financial statements required.

Enterprises were not required to disclose their financial statements to the community and the MoF was the primary user of the enterprises' financial information. This reflects the characteristics of the socialist system and a Soviet-style centrally-planned economy, in which market and community principles, as in the work of Puxty *et al.* (1987)'s and Streeck and

Schmitter (1985)'s, were disregarded, as the state dominated. In addition, the transparency of financial statements and information of enterprises was not in existence.

The State's dominant role in the centrally-planned economy of Vietnam was also reflected through its policies for the economy and enterprises, as elaborated by the former senior official of the MoF:

The [DRV] State stipulated the entire operations of an enterprise, including production costs, selling prices, products, markets and senior personnel such as director and chief accountant. This followed Soviet Union economic management model and lasted until 1975, when the country was unified. Accounting was used as a tool of the State in its economic management (Interviewee 2).

The standardization of accounting rules was necessary for the compilation of national accounting statistics and hence, very useful for a country like Vietnam, where the economy was planned and controlled by a centralized government. The discussion above suggests that the Soviet influence on accounting in Vietnam was through the use of the philosophy of Soviet accounting in respect of accounting and statistics combinations, and the provision of accounting expertise to Vietnamese personnel via training programs and technical assistance.

As far as the era of the DRV is concerned, during 1954 – 1975 there was no evidence indicating the existence of Vietnamese accounting and auditing standards. The government's authority and hierarchical control of accounting rules and procedures were implemented through the MoF, and the market and the community in Puxty *et al.* (1987)'s study were absent. The State played a dominant role in economic development and regulating accounting practice. A market for accounting services or an accounting association as a community for accountants did not exist.

In summary, the DRV accounting followed the Chinese accounting model subsequent to its liberation from the French in 1954 for a decade. Due to political conflicts with China, the DRV then followed the Soviet Union accounting model until the unification of the country in 1975.

4.3 Accounting in South Vietnam from 1954 – 1975

Subsequent to the signing of the General Accord at the Geneva Conference of 1954, which divided the country into two, the US began their involvement in South Vietnam, also known as the Republic of Vietnam (RVN), by providing military and economic aid, training RVN personnel, and sending US advisors to assist in building the infrastructure for the new

government (Chu, 1991; Tran, 1993; Bui and Nguyen, 2006). However, training RVN personnel on accounting was not the US's priorities, as their main interests were political influence through military support. It is also noted from an archival material on the US training assistance program to Vietnam during 1954 – 1960 that:

... The major emphasis in the US training [assistance] program was in the field of Education, while the concentration for "third country" training was in Agriculture (Archival records 37, 1964, p. 2).

Whilst the DRV economy relied on foreign aid from the socialist countries, mainly from China and the Soviet Union, the RVN economy heavily relied on foreign aid and assistance, mostly from the US, and hence capitalism. However, most of the foreign assistance went to military expenditure and infrastructure development. The RVN economy orientated its resources towards the production of consumer goods and services. The private sector had emerged as the key economic driver during the war years, with small and medium-sized enterprises producing light manufactured goods dominating industry (Nguyen, 1991; Vu, 1994; Harvie and Tran, 1997).

A professor who taught accounting in the RVN recalled that:

The accounting system used in Saigon before 1975 followed the French accounting. Therefore, when teaching accounting at the National Institute of Administration (1969-1971) in Saigon, my colleague and I used the French accounting system as this was mainly used in the private sector in Vietnam and in the public companies owned by the [RVN] Government (Interviewee 19).

Another interviewee who used to work for one of the Big Four firms in Vietnam consistently said:

... In Saigon before 1975 [during the American rule], French and Vietnamese companies all used the French accounting system (Interviewee 16).

The evidence suggests that the accounting in the RVN after 1954 remained influenced by French rules.

It is useful to describe the main features and characteristics of the French accounting plan, known as the Plan Comptable Général (PCG), which originated from the so-called 1942 PCG, and seen as supporting national economic planning and development of national statistics (McLeay and Riccaboni, 2000). The first nation-wide accounting plan in France,

known as the PCG, was adopted in 1947 as a result of the work of the Accounting Standardisation Commission (Commission de Normalisation des Comptabilités). It was seen as a relatively simple national accounting code, in response to the national shortage of accountants and the limited capacity in the educational and professional training system for raising the supply and level of accounting skills. This was a concern for the state, given the effect of the shortage of accountants on the administration of the expanded public sector and on the management of commercial enterprises receiving state subventions. The state commission created the PCG and determined the institutional structure for standardization and controlled its operation, with very little involvement from the French accountancy profession. A simple chart of accounts was created with cost accounting codes autonomous from financial accounting codes as a formal dualism. Cost accounting was made optional in the preparation of financial statements, and the format of the profit and loss statement was prescribed (Richard, 1992, 1995; Roberts, 1998; McLeay and Riccaboni, 2000; Parker, 2003).

The PCG was applied in the government sector – that is, state and subsidized enterprises. The characteristics of the French PCG in 1947 included a rational organization of both financial and cost accounting, which provided the tools needed to improve company management. It included the introduction of uniform rules of valuation, classification and presentation; the establishment of a clear terminology to facilitate inter-firm comparisons and improve the quality of the information collected for national accounting purposes; and the classification of expenses by nature and of some assets according to their economic function in the company, to meet the needs of national accounting (Lemarchand and Parker, 1996; McLeay and Riccaboni, 2000; Gaffikin, 2006).

A former senior official of the MoF explained the reasons the Americans did not bring their accounting practices to Vietnam:

The Americans did not bring their accounting practice to Vietnam prior to 1975, as their main concerns were to strengthen their political and military position in Vietnam. Apart from that, they did not want to change the management practice in the country.

Therefore, they only brought modern equipment and machine to Vietnam, not their management mechanism. In addition, a majority of companies operating in the RVN was from Europe so they used the French chart of accounts to report to their home jurisdiction (Interviewee 2).

The professor who taught accounting in the RVN before 1975 elaborated:

The French accounting used during that time in South Vietnam was in a very simple form, mainly financial accounting which focused on the accountability purpose. Therefore, the primary objectives of French accounting were to maintain accounting records and to prepare accounting reports to ensure the accurate recording of accounting transactions, to minimize fraudulence, and to check the compliance with the approved budgets. Cost accounting for managerial purposes was disregarded (Interviewee 19).

The evidence suggests that, although the first nation-wide accounting plan in France, known as the PCG, was adopted in 1947, accounting practice in South Vietnam during 1954 – 1975 continued using French budget accounting.

It is noted that, parallel with different political and economic conditions in two parts of the country, accounting practices in North Vietnam (DRV) and South Vietnam (RVN) were also different. Whilst accounting practices in the DRV moved towards unification based on the accounting models of socialist countries, particularly China and the Soviet Union, led by the MoF, accounting practices in the RVN remained influenced and based on French rules. Thus accounting practices of the DRV and the RVN were influenced by the socialist and capitalist economic environments respectively. This situation was unique in Vietnam before its political independence in 1975.

Moreover, the Americans did not provide French accounting training to the Vietnamese. An interviewee stated that:

In large companies during French rule, such as companies producing beer, alcohol, beverages, milk, etc. left behind by the French for the Vietnamese, the majority of staff were Vietnamese (Interviewee 16).

The former senior official of the MoF elaborated:

In addition, those former Vietnamese accounting staff who had been trained and worked for the French were familiar with the way of handling bookkeeping using the French chart of accounts. Therefore, retraining them was not an easy task (Interviewee 2).

An interviewee made a comment on the accounting training situation in Saigon before 1975 that:

At that time, there were no Vietnamese people successfully graduating in accounting in Vietnam. It seems to me that there was no one specializing on accounting. This means

that the training on accounting to supply for the work force was very limited. Professors on accounting during this time were mostly those who studied in France and returned to Vietnam to teach and some had worked in the colonial administration in Vietnam (Interviewee 19).

It is consistently noted in an archival material that:

Another factor affecting future industrialization was French domination of finance, industry and commerce... Vietnamese found relatively few opportunities to acquire experience in these fields, and rarely rose to responsible positions in the foreign-owned firms... Further, relatively few Vietnamese received technical training, either in France or Vietnam (Archival records 38, 1960, pp. 2-3).

So, the question is how the training was conducted to enable the Vietnamese to undertake book-keeping using the French accounting in the RVN. An interviewee who worked as a tax auditor in the Saigon Government before 1975 recalled that:

I learnt French accounting before 1975 from those Vietnamese who had studied accounting in the French commercial schools (such as Haute Etude Commercial, Ecole Supérieur de Commerce) and returned to Vietnam to work and teach (Interviewee 16).

Another interviewee who taught accounting in the RVN before 1975 elaborated that:

After getting my Doctoral Degree in Business Administration (DBA) from the University of Southern California, I returned to Vietnam to teach accounting at the National Institute of Administration (Saigon), the College of Economics and Business Administration of Minh Duc University (Saigon), and the College of Politics & Business Administration of Dalat University (Dalat). During 1954 – 1975, the French accounting was translated into Vietnamese by my colleague and the materials were used to teach in Saigon (Interviewee 19).

The National Institute of Administration was the government's training school for civil servants in Saigon (Archival records 41, 1960).

The evidence suggests that Vietnamese accountants or book-keepers equipped themselves with knowledge on the French accounting rules to enable them to work in companies in the RVN. In other words, the Americans did not contribute to accounting training in Vietnam during their rule. In addition, the private sector was the key economic driver in the RVN during 1954 – 1975. However, no law defining the accounting and auditing system for private

enterprises was established by the RVN State. The RVN government's authority and hierarchical control was seen to be weak, as it was heavily dependent and directed by the US. Any accounting system or practice in the RVN State was entirely a continued application of existing French practices. There is no evidence indicating that there was an indigenous accounting system and a market for accounting services existed in the RVN during 1954 – 1975.

5. Summary and Conclusion

In their study, Puxty *et al.* (1987) drew upon Streeck and Schmitter (1985)'s three organizing principles – the market, the community and the state – to analyse the accounting regulation in four capitalist societies, namely the UK, US, Sweden and West Germany. Puxty *et al.* (1987) also identified the limitations of the Streeck and Schmitter (1985)'s framework on the omission of the increasing significance of the state, the market, the community.

This paper has considered the case of accounting development in Vietnam from the French domination in the mid 19th century until the country's political independence in 1975, to argue that the state played a predominant role, while the balance of the state, the market, and the community was shifting in different periods of time, especially from 1986 onwards. Most importantly, the case of Vietnam indicates that the development of accounting was not initiated and influenced by the French, nor the Americans, in the colonial and post-colonial periods.

During the colonial rule 1858 – 1945, the French colonial powers controlled all aspects of the colony, resulting in the weak state and the absence of market and community for accounting. The first Western accounting system – French accounting – was brought into Vietnam in the mid 19th century by the French to support its colonial administration. As such, they directly managed accounting and made little effort to train Vietnamese, who worked in their businesses in Vietnam, to handle detailed bookkeeping. The French set up budgets which enabled them to exercise central control of revenues from tax collection and export earnings and expenditures of the colony's operations. Therefore, the market and community for accounting in Vietnam were absent, as there was little demand for accountants and also little need for the French administration to set up and develop indigenous accounting in Vietnam during their rule. The French accountancy profession did not have a tradition of becoming involved in colonial outposts as did the UK-based ACCA in countries such as Hong Kong and Malaysia. As such, the French influence on accounting in Vietnam during their domination was very limited.

During the war years 1945 – 1954, there was no significant development of accounting in the Vietnamese economy, as the country's resources were entirely engaged in the war of resistance against the French.

During 1954 – 1975, the country was divided into two sovereign states with two very different political and economic systems, subsequent to the defeat of the French at Dien Bien Phu and the signing of the General Accord at the Geneva Conference of 1954. The independent DRV state in North Vietnam played an influential role in regulating accounting, based on the Chinese and Soviet accounting models, to serve the socialist building economy. As the State centrally managed the economy, using accounting as a tool, there was no market for accounting services and no accounting community. The RVN government in the South was heavily dependent on the US military support. However, limited attention was paid to accounting development and training by neither the RVN government nor the US government; thus French accounting rules remained in practice during the American rule. The RVN government's authority and hierarchical control was seen to be weak, as it was heavily influenced and directed by the US. There was no evidence indicating an existence of an indigenous accounting system, nor a market for accounting services in the RVN during 1954 – 1975. It is, therefore, observed that accounting practices of the DRV and the RVN during 1954 – 1975 were influenced by the socialist and capitalist economic environments respectively. This situation was unique in Vietnam before its political independence in 1975.

The country was political independent from the Americans in 1975. The VCP has led the country towards socialism and the economy was transformed from a war economy to a centrally-planned economy and then a market-oriented economy. Accounting in Vietnam was policy-oriented with the government's political and economic policies dominating accounting work. The accounting regulations were changed periodically, corresponding with changes in the government's political and economic policies. However, in a socialist country like Vietnam, where the state plays an influential role in the economic and social aspects of the country, both the market and community forces will remain under the dominance of the state.

The Vietnamese experience also offers a model for comparative studies with other countries which do not have a colonial heritage, such as China, and with other ex-colonies. In addition, this paper also suggests that the Puxty *et al.* (1987)'s model which was employed to examine advanced capitalist countries may be used to examine the accounting regulation in socialist countries such as Vietnam.

Notes:

1. The August Revolution in 1945 is known as the successful uprising of the Communists (also known as Vietminh Front) to seize power in the North Vietnam subsequent to the surrender of the Japanese to the Allies. Subsequently, the Democratic Republic of Vietnam (DRV) was declared on 2 September 1945 in North Vietnam by President Ho Chi Minh and started to build socialism (Duiker, 1983; Tonnesson, 2004; Corfield, 2008).

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